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VOLUME VI

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INDIAN
JOURNAL OF ECONOMICS
Vol. VI—Part I
SIXTY YEARS OF PANJAB FOOD PRICES
1861—1920

A STATISTICAL SURVEY

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SOURCE & SCOPE OF THE DATA

A—Area

The source of the data dealt with in this Inquiry has been the series of volumes published by the Government of India and entitled "Prices and Wages in India."

A fortnightly return of retail prices for the commoner food grains and salt in each District throughout India was instituted by Order of the Government of India in 1872, and these returns have since 1873 been regularly published in the *Supplement* to the Gazette of India.

Prior to 1873 records of the prices of food grains and salt had for a number of years been officially collected in some of the Provinces of India ; but the methods of collection were not uniform, nor had the statistics been brought together in a readily accessible form. In the Panjab these figures date back to 1861.

The District returns of retail prices instituted by Order of the Government of India in 1872 are in most Provinces supplied by district officers to the Director of Agriculture and Land Records. They are, in every case, the prices in the Headquarters of the District, and are quoted in seers and chittakhs, or seers and fractions of a seer per rupee.

The first attempt to compile these figures for the whole of India was made in 1878 when a small volume was published by the

Government of India giving yearly average prices for food grains and salt for the period 1861 to 1876 in certain Districts in India which were selected as typical. In the case of the Panjab, the Districts which figure in this volume are Delhi, Ludhiana, Amritsar, Rawalpindi, Multan and Peshawar. The figures in this volume were revised in the next publication in 1884, and prices in the selected Districts were added for the intervening period, 1876 to 1883. Since that date the record of prices has been published annually in the volume entitled "Prices and Wages in India" (1).

From the standpoint of the student it is fortunate that in the Seventh Issue of the Volume (1890) the method of recording prices for selected typical Districts only was abandoned. In that Volume, 127 new Districts were added for the whole of India, and the number for which figures were published for the Panjab and the North-West Frontier Province increased from six to sixteen. What is still more fortunate is that wherever the figures were available for the Districts added they were carried back to 1861. In the case of the Panjab the prices of certain commodities for the Districts now added had always been available since 1861, but in the first six volumes only the prices of the six typical Districts referred to above had been published. Another improvement introduced in this Issue (1890) was the grouping together of Districts of similar climatic character and rainfall (2).

In the Thirteenth Issue (1896), without any reference being made to the change, as far as we can see, a re-grouping of Districts took place for the Panjab. A completely new Group, the South-Eastern, was introduced, and Delhi, Rohtak and Karnal disappeared from the Central Group and came into the South-Eastern; Ferozepore was added to the Southern Group; Jhelum to the Central; Sialkot disappeared from the North-Western and found a place in the Sub-Montane, to which also Jullundur was added. The revised

(1) Now discontinued on the score of retrenchment.

(2) Grouping of Districts in the Panjab introduced in 1890.

<i>Southern.</i>	<i>Central.</i>	<i>Sub-Montane.</i>	<i>North-Western.</i>	<i>Western.</i>
Hissar.	Delhi.	Ambala.	Sialkot.	Shahpur.
	Rohtak.	Ludhiana.	Rawalpindi.	Jhang.
	Karnal.	Hoshiarpur.	Peshawar.	Multan.
	Lahore.	Amritsar.		Dera Ismail Khan.

grouping is shown below (¹). Fortunately again, in the case of the Districts added, the figures for a number of commodities were carried back to 1861.

In 1905, two new Districts were added to the list in the Panjab. In that year Attock appears for the first time in the Northern Group and Lyallpur in the Western. As these new Districts had been carved out of older Districts, it was in this case impossible to carry the figures back. Kurram was added to the Northern Group in 1907, and Tochi in the same year to the Western Group and here again figures for the earlier years were not added (²).

To sum up as regards area, we have in "Prices and Wages in India" for the years 1861 to 1904 records of retail prices deduced from the fortnightly returns for 19 Districts; for 1905 and 1906 similar records of 21 Districts; and from 1907 to date the records of 23 Districts (³). Four of the latter are in the North West Frontier Province which is included with the Panjab in "Prices and Wages in India."

B—Commodities

The commodities for which we have information from 1861 onwards for the Panjab and North West Frontier Province in "Prices and Wages in India" are rice, wheat, barley, bajra, jowar, gram, maize (⁴) and salt. From 1886 onwards there are records for marua or ragi, kangni and arhar dal.

(1) Grouping of Districts in the Panjab introduced in 1896.

<i>Southern.</i>	<i>Central.</i>	<i>South-Eastern.</i>	<i>Sub-Montane.</i>	<i>Northern.</i>	<i>Western.</i>
Hissar.	Lahore.	Delhi.	Ambala.	Rawal-	Shahpur.
Ferozepore	Jhelum.	Rohtak.	Ludhiana.	pindi.	Jhang.
		Karnal.	Jullundur.	Peshawar.	Multan.
			Hoshiarpur.		Dera Ismail
			Amritsar.		Khan.
			Sialkot.		

(2) Grouping of Districts in the Panjab since 1907.

<i>Southern.</i>	<i>Central.</i>	<i>South-Eastern.</i>	<i>Sub-Montane.</i>	<i>Northern.</i>	<i>Western.</i>
Hissar.	Lahore.	Delhi.	Ambala.	Rawal-	Shahpur.
Ferozepore.	Jhelum.	Rohtak.	Ludhiana.	pindi.	Jhang.
		Karnal.	Jullundur.	Peshawar.	Multan.
			Hoshiarpur.	Attock.	Dera Ismail
			Amritsar.	Kurram.	Khan
			Sialkot.		Lyallpur.
					Tochi.

(3) The most accurate comparative survey, therefore, that could be made from these figures would be that which took into account the 19 Districts for which figures are available from 1861 onwards. In other words, Attock and Lyallpur should be deleted from 1905, and Kurram and Tochi from 1907, and the figures for the remainder, in which records are available over sixty years, averaged.

(4) The records for maize are very incomplete from 1861 to 1870, entirely wanting from 1871 to 1883, and only from 1886 are they at all complete.

Averages are given for each year for each commodity, for each of the six Groups⁽¹⁾ and for the Panjab (including four districts in the North West Frontier Province) taken as a whole. The average in each case is a simple arithmetical average, and no attempt is made to "weight" according to the population of the Districts in the Group. So in the case of the Province as a whole, the figure given is from 1861 to 1904 the arithmetical average of the prices in 19 Districts; in 1905 and 1906 it is similarly constructed from the prices in 21 Districts; and from 1907 to date it is deduced from 23 entries. This method is obviously defective in that a rise of 100 per cent. in food prices in a sparsely populated District such as Multan exercises the same influence on the general average as a rise of the same amount in a densely inhabited District such as Jullundur, though the latter may cause distress to a much larger number than the former. On the other hand, it must be remembered, as Bowley has pointed out⁽²⁾, that the reliability of an average is much more dependent upon accuracy in the original figures than upon the system of weighting adopted. If we consider the shortcomings of the original returns of District prices, it is most doubtful whether the "unweighted" system adopted could be improved upon.

The method of presenting retail prices in "Prices and Wages in India" was completely altered in 1907. Prior to that date the prevalent Indian method had been followed, and prices were expressed as seers and fractions of a seer per rupee. In 1907, for the sake of comparison of retail prices with wholesale prices, which had come to figure more prominently in later volumes than they did in the earlier issues, the system was changed, and retail prices have since that date been expressed as rupees and decimals of a rupee per maund. The price of produce is now expressed in terms of rupees, not the price of a rupee in terms of produce as before.

In any survey of prices from 1861 to date, it becomes necessary, therefore, to adopt a common notation. What has been done in the present survey is to convert the prices of the earlier period, seers and decimals of a seer per rupee, into rupees and decimals of a rupee per maund. This is the normal method of making statements

(1) Vide Footnote (2), page 3.

(2) Vide Bowley's "Elements of Statistics", Page 118.

of prices—to take the quantity as fixed and the price paid as the variable, rather than the converse method of taking the price as fixed and the quantity obtained as the variable. On the other hand, a strong case could be made out in India for taking the price as fixed and the quantity as the variable in that, in the case of retail prices, it is the method which universally prevails throughout the country⁽¹⁾.

THE SELECTION OF A BASE FOR PURPOSES OF COMPARISON

As is well known to all students of Indian conditions, food prices in India—and in this respect the Panjab has been no exception—were in the past subject to extreme fluctuations, and even now show considerable oscillations. Thus, if wheat be taken as typical, its average retail price in the Province which was Rs. 2·294 in 1861 had fallen to Rs. 1·336 in 1863; in 1869, a year of famine, it stood as high as Rs. 3·380; by 1875 it had fallen to half that figure and fell still lower in the next year, only to rise to over Rs. 3 in 1879. In 1904 the price stood at Rs. 2·264 or lower than it had been in 1861; in 1908, it had risen to Rs. 4·189, and in 1919 it touched Rs. 6·136—the record figure up to that date. Had gram been taken instead of wheat, the fluctuations to be noted would have been even greater. (Vide p. 25).

If prices subject to such fluctuations are to be reduced to percentages for the purposes of comparison, the selection of an appropriate base is of the greatest importance. The writer desirous of showing a particular result can, within reason, do so simply by the selection of the base. Thus wheat prices in 1919 were about $4\frac{1}{2}$ times as high as those of 1863; but rather less than twice what they had been in 1869, only the latter year was one of famine. In this respect there is much to be said for the selection of the year 1873 as the base for in that year the currency troubles—(with their consequent effect upon prices)—which culminated in 1893 in the closure of the mints to the free coinage of silver, had hardly developed to the extent

(1) It may be pointed out that it is not altogether a matter of indifference which notation is adopted. Not only do money prices vary inversely with quantity prices, but the percentage rise and fall varies in the two notations. Thus, if wheat is selling at 10 seers to the rupee, and it falls to 5 seers to the rupee, this is equivalent to a rise in the money price of 100 per cent.; in other words, the price rises from Rs. 4 to Rs. 8 per maund. But if wheat becomes cheaper, if the number of seers for one rupee increases from 10 to 20, *i. e.*, by 100 per cent. the corresponding money price is only 50 per cent. lower; in other words, wheat has fallen from Rs. 4 to Rs. 2 per maund.

of influencing prices. So far as Panjab food prices, however, are concerned, the year 1873 is not particularly suitable. True, it is a year of neither very high, nor very low prices. But in the dozen years which preceded it, on only four occasions did wheat prices in the Panjab fall below those of 1873, while in the other eight years they were higher. In the succeeding twenty years, wheat prices were above the prices of this year on thirteen occasions, and below them on seven; on only one occasion after 1894 do they fall to so low a figure. The selection of such a year as the basis of comparison would thus be somewhat misleading unless its peculiar position were fully realised. It would have to be pointed out that 1873 was a most favourable year, and, therefore, prices expressed as percentages of the price in that year would represent the rise as being greater than it would appear if the average price in the years around 1873 had been taken as the base.

To indicate the difference in the general impression obtained by taking at random different years from the decennium 1861-70 as the base, three tables are set out below.

RETAIL WHEAT PRICES IN THE PANJAB

Table I.	Table II.	Table III.
<i>Base-1861.</i>	<i>Base-1865.</i>	<i>Base-1869.</i>
1861 - 100	1865 - 100	1869 - 100
1871 - 83	1875 - 89	1879 - 93
1881 - 101	1885 - 88	1889 - 61
1891 - 113	1895 - 115	1899 - 76
1901 - 115	1905 - 145	1909 - 118
1911 - 125	1915 - 247	1919 - 183

If all that were presented were Table I, the casual observer might be led to believe that over 50 years prices had shown remarkably little fluctuation. If, on the other hand, only Table II were submitted, it would appear that, after thirty years of comparatively stable prices, the present century had witnessed an enormous increase. Table III, on the other hand, conveys still a different impression in that the prices in 1919, an exceptionally dear year, appear only 83 per cent. higher than those of 50 years before, but the year taken as the base in this case was one of famine. We are not trying to prove any particular variation in prices by the Tables set forth above, but simply to show the great differences in the

general impression conveyed if different years are selected as the base.

All must acknowledge the inadequacy of the method which selects prices in a single year as the base. For purposes of comparison the base must be wider. If, in the case of wheat in the Panjab, we select a triennial period, it will be found that the results are little more satisfactory. Take two triennia, one at the beginning and one at the end of the decennium 1861-70, and the greatest divergence is found in the results as is shown below.

RETAIL WHEAT PRICES IN THE PANJAB

Table IV.

Base. Average yearly prices
in the triennium 1862-64.

1862-64 - 100
1872-74 - 129
1882-84 - 124
1892-94 - 165
1902-04 - 169
1912-14 - 248

Table V.

Base. Average yearly prices
in the triennium 1868-70.

1868-70 - 100
1878-80 - 100
1888-90 - 82
1898-00 - 100
1908-10 - 135
1918-20 - 202

Unless the peculiar position of the two basal periods is clearly realised, it might be thought that in some way or other the lower figures of Table IV had been transposed into Table V, and vice versa. Think of the coin that might be made out of the figures in Table IV by the unscientific exponent! Prices in 1912 to 1914 were already 148 per cent. above what they had been in the triennium 1862-64, and we could hardly contradict him if he went on and declared that the great rise in prices with which we have recently been so familiar had in 1914 little more than begun. An opponent on the same platform might put forth the figures in Table V, and would really deserve equal attention if he demonstrated that prices in the exceptionally dear years 1918 to 1920 were only a little more than double what they had been in the triennium 50 years previously. The figures of both are above reproach, and all that can be said against either is that, with figures subject to such fluctuation as those representing Panjab food prices, the triennium is too short a period to be taken as the basis of comparison. Prices in the triennium 1862-64 were exceptionally low, while those of 1868-70 were exceptionally high; neither is suitable for being taken as the base; but it becomes obvious that when men are out to prove any

particular case they can do so easily by manipulation, and by leaving out the essential qualifications.

Bowley, in his "Elements of Statistics,"⁽¹⁾ has pointed out an extremely good instance of the weakness of a quinquennial average when the interval between recurring maxima is longer than five years. That in the case of Panjab food prices even a five-yearly average may give essentially dissimilar results is shown below where the retail prices of wheat in the Panjab are expressed as percentages of their price in two quinquennia selected from the decennium 1861-70.

Table VI.

<i>Base.</i>	Average of yearly prices from 1862-66.
1862-66	100
1872-76	110
1882-86	114
1892-96	155
1902-06	159
1912-16	239

Table VII.

<i>Base.</i>	Average of yearly prices from 1866-70.
1866-70	100
1876-80	97
1886-90	97
1896-00	128
1906-10	140
1916-20	208.

Each of the Tables is perfectly correct as it stands, but the weakness of the quinquennium is well brought out by the fact that the rise in prices in the quinquennium 1912-16 is shown to be 139 per cent., whereas the rise in the quinquennium 1916-20 when prices were very much higher is only 108 per cent. It would obviously be impossible, or at least most misleading, to take either of these Tables as the basis for a careful scrutiny of the general level of Panjab food prices

The Tables which have been presented so far have been given with the idea of showing the necessity of carefully scrutinising percentages with reference to the base selected. If properly explained and qualified, they may serve a useful purpose; but the person desirous of applying them to any particular problem must always be on his guard. The non-observance of this precaution cannot be better illus-

(1) Vide Bowley, "Elements of Statistics", pp. 151-153.

trated than by an example familiar to most Panjab readers. In an Essay entitled "A General View of Indian Prices"⁽¹⁾, Professor Brij Narain gives two sets of Index Numbers of Prices in India⁽²⁾. The first has reference to Wholesale Prices—(this is definitely stated)—but there is nothing to indicate from whence it has been obtained, nor how it has been constructed. We are left completely in the dark as to whether it is an Index Number constructed by the writer himself, or borrowed from elsewhere⁽³⁾. The second lacks even the defective explanation given with the first. Both are compared with Sauerbeck's Index Number for the United Kingdom, and it would be natural to assume that things which are comparable with the same thing are comparable with one another—(but of this more anon). All we want to affirm here is that figures quoted apart from their context lose much of their value.

The method of treatment also does not seem to us above reproach. In one of the Tables given⁽⁴⁾ an attempt is made to establish a comparison between the rise of prices in India and in certain other countries. In the case of the latter, the year 1896 is selected as the base, but as that was a year of extremely high prices in India, it is passed over in favour of the year 1894 which is taken as the base, and its price is set down opposite 1896 as 100. After what has been said before on the necessity of the greatest care being taken in the selection of the base if the figures are not to give altogether misleading results, the reader will almost be prepared to admit that the general impression conveyed by figures so handled may be correct, but it is just as likely to be wrong.

The Table in question is reproduced in the first six columns below. Two columns have been added. Column 7 gives the writer's second Index Number of Prices in India, and in Column 8 the figures of Column 7 have been expressed as a percentage of the price in 1894⁽⁵⁾.

(1) *Vide* Professor Brij Narain, "Essays in Indian Economic Problems", p. 35.

(2) *Ibid.* pp. 41 and 51.

(3) We surmise that it has been adapted from the Table given by Datta in his "Enquiry into the Rise of Prices in India", Vol. I, p. 48.

(4) *Ibid.* p. 42.

(5) This procedure is not altogether justifiable from a statistical standpoint, but we have reason to believe that the figures in Column 6 have been arrived at in this identical fashion.

TABLE VIII.

Year	United Kingdom (Sauerbeck)	France	Germany	U.S.A	India	The writer's Second Index Number of Prices in India	The figures in the previous Column re- duced to a percentage of their price in 1894
1	2	3	4	5	6	7	8
1894	..	..	..	..	1894	102	100
1895	..	..	..	..	=	104	102
1896	100	100	100	100	100	110	108
1897	101	102	103	99	141	113	111
1898	104	107	109	104	128	96	94
1899	111	116	114	112	127	96	94
1900	122	125	122	122	148	116	114
1901	115	118	117	120	141	110	108
1902	113	115	114	125	135	105	103
1903	113	118	121	126	130	99	97
1904	115	116	122	125	129	101	99
1905	118	118	125	128	141	110	108
1906	126	129	136	135	158	129	127
1907	131	136	146	144	162	137	134
1908	119	124	132	135	173	138	135
1909	121	126	137	140	162	124	122
1910	128	132	141	146	161	122	120
1911	131	141	154	142	164	129	127
1912	138	..	..	151	173	137	134

As a result of such a treatment, can it be said that in 1911 "the percentage rise was for India 64, Germany 54, U. S. A. 42, France 48 and England 31" (1); or that "the rise in Indian prices was greater than in any other country of the world (2)"? Let the reader compare carefully the figures in Columns 2 to 6, and he is likely to

(1) Ibid. p. 42.

(2) Ibid. p. 40.

have a lingering suspicion that the results in Column 6 are vitiated by the selection of 1894 as the base. We have already referred to the writer's second Index Number of Indian Prices. It is a matter of some surprise that when it is handled as he has done his first Index Number—and why should we not do so when both are given without reference and qualification?—the rise of prices in India, far from being "greater than in any other country of the world" is actually found to be less than in any of the other countries selected for purposes of comparison!

THE BASE SELECTED IN THIS SURVEY

One thing then is clear, that, whether we are dealing with Panjab food prices, or with any other prices, the greatest possible care must be taken to see that the base chosen represents a typical period. Had we a well defined interval between points of recurring maxima, this would be easy. But Panjab food prices, whilst exhibiting a certain amount of periodicity, do not, if taken year by year, present any well defined interval. If, however, instead of taking yearly averages, we take the average of the prices in one year with those of the two years preceding and the two years following, so as to cut out violent yearly fluctuations, a fairly noticeable rhythmic movement becomes apparent, (vide Table XII pp. 40-42). So far as any generalisation can be made, it would seem to be that, in the case of Panjab food prices, the tendency has been for eras of high prices and of low prices to follow one another at intervals of about ten years.

On this account it has been thought advisable to take for the purposes of the base the average prices in a decennium. If the cycle has a tendency to run its course in about ten years, no sounder base can be taken. We need not be unduly perturbed if in the period there is a year of great scarcity, for the myth which regarded recurring periods of severe scarcity in earlier Indian history as something very exceptional, as coming more or less within the same category as the Black Death in England in the fourteenth century, has been pretty effectively disposed of⁽¹⁾.

After much consideration, average prices in the decennium 1873-82 have been selected as the base. In that period there were four years of high prices centring round the famine of 1879, and six

(1) See in this connection, Loveday: "Indian Famines"; Moreland: "From Akbar to Aurangzeb", chap. VII; and Morison: "The Economic Transition in India", chap. V.

years of comparatively low prices. Although about this time the price of silver began to fall upon the London market as a result of its demonetization by some of what had been the great silver-using countries, there had hardly been time for the effect to be reflected on the general level of Indian prices. The average price of wheat in the Panjab in this decennium was some 2 per cent. lower than the average price in the decennium 1863-72, and some 5 per cent. higher than in the decennium 1883-92. The average price of gram was also 2 per cent. lower than it had been in the preceding decennium, and about $\frac{1}{2}$ per cent. higher than in the succeeding decennium.

AVERAGE ANNUAL PRICES OF FOOD-GRAINS IN THE PANJAB

Two Tables have been prepared showing the average yearly prices of the principal food-grains in the Panjab—including four Districts of the North-West Frontier Province. In Table IX, the average yearly prices are expressed in Rupees and decimals of a Rupee per maund. Figures are given for Rice, Wheat, Barley, Bajra, Jowar, Gram and Salt from 1861 to 1920; and for Marua, Kangni, Maize and Arhar Dal from 1886—(though a few figures are available for Maize before that date). The attention of the reader is particularly directed to the Notes to Table IX in which the scope and the limitations of the different figures are pointed out.

Table X shows the prices of the above Food-Grains and Salt expressed as a percentage of their average price from 1873 to 1882. Two additional columns have been added. The first of these gives the average percentage for the year for rice, wheat, barley, bajra, jowar and gram. The inclusion of salt, an important article of diet, would obviously not be justifiable in that its price is determined by influences entirely different from those which affect the food-grains. Even the inclusion of rice is doubtful. A glance through the Table will show that though its price does feel the influences which affect the other food grains, it feels them to a very much slighter extent. Accordingly in the second additional column, rice has been omitted, and the figure given there is the arithmetical average of the percentage prices of wheat, barley, bajra, jowar and gram.

One point, however, demands attention in the case of both the Tables. It has already been noted that in the earlier Issues of "Prices and Wages in India" prices were quoted in terms of *seers*

and decimals of a seer to a rupee. From 1907 onwards the other notation has been used. From 1883 to 1905, I have unearched the prices quoted in both notations. When the one is converted to the other, we seldom get exact agreement. In most cases, the figures expressed in rupees and decimals of a rupee per maund are a trifle higher than those deduced from the records quoted in seers and decimals of a seer per rupee. To prevent this from exercising any influence upon the result, the mean difference between the price as given in rupees and decimals of a rupee per maund and that calculated from the quotation in seers and decimals of a seer per rupee has been taken for the 12 years following 1882. This correction has been carried back to all the years before 1883. The figures, therefore, from 1861 to 1882 are in every case adjusted, and the amount of the adjustment—generally so small that it might have been neglected—is in each case stated in the Notes to Table IX.

The effect of the inclusion of Attock and Lyallpur in 1905, and Kurram and Tochi in 1907, upon the percentage has been fully considered, and a percentage has been constructed with these districts deleted. These figures are in each case entered within brackets. The general effect of the inclusion of these districts has been to lower the percentage as compared with what it would have been had the 19 districts only been considered throughout. The effect on the individual commodities is shown below; the number of occasions where the percentage with the new districts included is greater than with them excluded is shown +, where less -, where equal =.

	+	=	-
Rice	1	4	11
Wheat	1	4	11
Barley	1	1	14
Bajra	2	5	9
Jowar	4	9	3
Gram	15	1	1

In the case of rice, wheat, barley and bajra, the effect of the inclusion of the new Districts has been to lower the percentage; in the case of jowar it would appear to have had little effect; while in the case of gram the effect has been to raise the percentage. The explanation of the rise in the case of gram would appear to be the inclusion of Kurram where the price of gram is always high. In Attock the price of gram conforms fairly closely to the average for the Province, and in the case of Lyallpur it is generally below the average level.

TABLE IX

AVERAGE ANNUAL PRICES IN THE PANJAB EXPRESSED

Year	Rice †	Wheat †	Barley †	Bajra §	Jowar §
	(1)	(2)	(3)	(4)	(5)
1861	3'534	2'314	1'622	1'783	1'837
2	2'972	1'505	0'904	1'271	1'127
3	2'645	1'356	0'837	1'081	0'945
4	3'138	1'475	0'961	1'405	1'231
5	3'754	1'859	1'170	1'556	1'405
6	3'818	1'773	1'141	1'640	1'393
7	3'553	1'920	1'386	1'734	1'529
8	4'075	2'482	1'718	2'459	2'275
9	4'892	3'350	2'241	3'040	2'599
1870	4'286	2'550	1'723	2'085	1'715
1	4'075	1'920	1'272	1'788	1'396
2	3'840	1'983	1'354	1'803	1'728
3	3'516	1'823	1'217	1'455	1'346
4	3'754	1'763	1'212	1'644	1'477
5	3'516	1'633	1'148	1'408	1'333
6	3'423	1'563	1'060	1'323	1'233
7	3'592	1'736	1'112	1'439	1'310
8	5'040	2'510	1'687	2'646	2'426
9	4'781	3'113	2'233	2'657	2'569
1880	4'892	2'768	1'863	2'265	1'913
1	4'101	2'331	1'540	2'147	1'832
2	3'672	1'893	1'194	1'685	1'354
3	3'607	1'825	1'136	1'393	1'176
4	3'655	1'679	1'146	1'468	1'260
5	3'489	1'625	1'057	1'340	1'206
6	3'634	2'072	1'251	1'859	1'618
7	3'740	2'743	1'883	2'532	2'308
8	3'905	2'580	1'866	2'429	2'072
9	3'954	2'051	1'343	2'005	1'575
1890	3'816	2'210	1'487	1'900	1'687
1	4'095	2'691	1'797	2'469	2'282
2	4'311	2'964	1'941	2'546	2'089
3	4'354	2'457	1'533	2'062	1'683
4	3'906	1'674	1'039	1'733	1'283
5	3'724	2'108	1'407	1'981	1'651
6	4'243	3'175	2'433	3'174	2'725
7	5'449	3'849	2'971	3'882	3'417
8	4'196	2'459	1'580	2'053	1'834
9	3'874	2'548	1'817	2'358	2'056
1900	4'683	3'349	2'660	3'375	3'238

(Continued on

TABLE IX

IN RUPEES AND DECIMALS OF A RUPEE PER MAUND

Gram *	Marua ‡	Kangni *	Maize β	Arhar Dal **,	Salt †
(6)	(7)	(8)	(9)	(10)	(11)
2'052					3'244
1'209					3'422
1'994					3'527
1'171					3'686
1'351					3'795
1'351					3'795
1'697					3'970
2'147					3'777
3'658					3'852
2'435					3'832
1'808					2'611
1'909					3'638
1'468					3'929
1'266					3'740
1'271					3'777
1'111					3'451
1'278					3'097
2'482					3'097
2'685					3'393
2'227					3'322
1'915					3'795
1'502					2'736
1'323					2'667
1'267			1'291		2'688
1'248			1'219		2'660
1'409	1'792	2'111	1'605	2'102	2'661
1'927	2'341	2'597	2'261	2'569	2'623
1'979	2'273	2'314	2'272	2'613	2'989
1'584	1'928	2'111	1'642	2'548	3'048
1'797	1'913	2'113	1'683	2'540	3'019
2'033	2'055	2'532	2'330	3'137	3'031
1'997	2'209	2'748	2'231	3'227	3'066
1'576	2'089	2'686	2'128	3'048	3'095
1'176	1'485	2'218	1'296	2'898	3'062
1'603	1'042	2'465	1'682	3'103	3'058
2'573	2'429	3'137	2'569	3'324	3'070
3'829	3'420	3'807	3'393	4'943	3'176
2'107	1'689	2'747	1'733	4'567	3'206
2'318	1'927	2'584	1'824	3'822	3'172
3'465	2'483	3'313	2'888	4'523	3'165

next page)

TABLE IX—(continued)

Year.	Rice †	Wheat †	Barley †	Bajra §	Jowar §
	(1)	(2)	(3)	(4)	(5)
1901	4'354	2'648	1'699	2'004	1'848
2	4'290	2'523	1'825	2'265	1'867
3	4'180	2'451	1'765	2'143	1'835
4	4'028	2'264	1'467	1'733	1'396
5	4'274	2'666	1'698	2'183	1'873
6	4'628	2'730	1'968	2'849	2'507
7	5'238	2'903	1'965	2'338	2'143
8	6'492	4'189	2'987	3'790	3'515
9	5'705	3'942	2'401	2'801	2'588
1910	5'215	3'118	1'878	2'486	2'288
1	5'219	2'882	1'942	2'542	2'240
2	5'510	3'283	2'507	3'228	2'984
3	5'590	3'514	2'512	3'173	2'593
4	5'785	3'820	2'731	3'579	3'264
5	6'083	4'545	2'904	3'915	3'754
6	5'888	3'895	2'962	3'676	3'136
7	5'607	4'193	2'899	3'068	3'175
8	7'250	5'068	3'546	4'785	5'561
9	9'609	6'136	4'463	7'141	6'100
1920	9'454	5'620	3'836	5'490	4'630

NOTES ON TABLE IX

† *Rice, Wheat, Barley, Salt.*

Prices from 1861 to 1904 are deduced from the records of 19 Districts; for 1905 and 1906 of 21 Districts; and for 1907 to date of 23 Districts.

Rice figures from 1861 to 1882 are higher than the calculated by Rs. 0'075

Wheat.....Rs. 0'020

Barley.....Rs. 0'019

Salt.....Rs. 0'373

§ *Bajra & Jowar.*

Prices from 1861 to 1904 are the average of 19 Districts; from 1905 to date the average of 21 Districts (Kurram and Tochi not being added in this case in 1907).

Bajra figures from 1861 to 1882 are higher than the calculated by Rs. 0'035

Jowar.....Rs. 0'029

TABLE IX—(continued)

Gram *	Marua ‡	Kangni ¶	Maize	Arhar Dal *.*	Salt †
(6)	(7)	(8)	(9)	(10)	(11)
2'206	1'806	2'636	1'908	4'271	3'173
2'120	1'735	2'653	1'779	3'900	3'164
1'912	1'576	2'577	1'801	3'790	2'806
1'539	1'435	2'487	1'419	3'786	2'746
1'949	1'645	2'802	1'799	4'052	2'310
2'358	1'776	3'218	2'351	4'537	2'318
2'447	1'838	3'076	2'103	5'243	1'816
3'888	2'784	3'870	3'183	6'187	1'721
2'950	2'637	3'263	2'707	5'670	1'703
2'201	2'667	3'190	2'093	4'255	1'704
2'134	2'421	3'033	2'039	4'027	1'688
2'608	2'227	3'847	2'606	4'023	1'693
2'782	2'353	3'650	2'579	4'342	1'680
3'416	2'248	3'353	3'104	5'385	1'712
3'418	2'787	3'860	3'724	6'550	1'747
3'301	3'132	4'242	2'788	6'096	2'311
3'432	2'823	3'749	3'019	5'286	2'699
4'055	2'888	4'507	4'161	6'033	3'570
5'696	4'372	7'168	4'743	10'296	3'572
5'560	4'391	6'681	4'470	10'865	3'388

NOTES ON TABLE IX

* *Gram.*

Prices from 1861 to 1904 are the average of 19 Districts; for 1905 and 1906 of 21 Districts; and from 1907 of 22 Districts, (Tochi which was added in 1907 showing no entry for gram).

Gram figures from 1861 to 1882 are higher than the calculated by Rs. 0'020.

‡ *Marua.*

The records throughout are very incomplete, and since 1908 there has been no entry except for the District of Jhang, and this is the figure that since that date is quoted for the province.

** *Kangni.*

In 1886 the figure is the average of 17 Districts; by 1900 this had fallen to 14; in 1911 only 8 were left, and this in 1917 fell to 7.

‡ *Maize.*

There are records for 4 Districts from 1861 to 1870. From 1886 to 1904 the prices quoted are the average of 18 Districts; in 1905 and 1906 of 20 Districts from 1907 of 22 Districts, (Hissar never having been included).

. *Arhar Dal.*

The maximum number of entries is 15 and the average is generally deduced from less.

TABLE X

PRICES OF FOOD-GRAINS IN THE PANJAB EXPRESSED AS A

Year	Rice	Wheat	Barley	Bajra
	(1)	(2)	(3)	(4)
1861	88	109	114	96
2	74	71	63	68
3	66	64	59	58
4	78	70	67	75
5	93	88	82	83
6	95	84	80	88
7	88	91	97	93
8	101	117	120	132
9	121	158	157	163
1870	106	120	121	112
1	101	91	89	96
2	95	94	95	97
3	87	86	85	78
4	93	84	85	88
5	87	77	80	75
6	85	74	74	71
7	89	82	78	77
8	126	119	118	142
9	118	147	157	142
1880	121	131	131	121
1	102	110	108	115
2	91	90	84	90
3	89	86	80	75
4	91	79	80	79
5	87	77	74	72
6	90	98	88	100
7	93	130	132	136
8	97	122	131	130
9	98	97	94	107
1890	95	105	104	102
1	102	127	126	132
2	107	140	136	136
3	108	116	108	111
4	97	79	73	93
5	92	100	99	106
6	105	150	171	170
7	135	182	208	208
8	104	116	111	110
9	96	121	127	126
1900	116	158	187	181

Continued on

TABLE X

PERCENTAGE OF THE PRICE IN THE DECENNIIUM, 1873-82

Jowar	Gram	Salt	Arith. Aver. of first six com- modities	Arith. Aver. of Cols. (2) to (6)
(5)	(6)	(7)	(8)	(9)
109	119	94	106	109
67	70	100	69	68
56	58	103	60	59
73	68	107	72	71
84	79	110	85	83
83	79	110	85	83
91	99	116	93	94
136	125	110	122	126
155	212	112	161	169
102	141	111	117	119
83	105	76	94	93
103	111	106	99	100
80	85	114	83	83
88	74	109	85	84
79	74	110	79	77
74	65	100	74	72
78	74	90	79	78
145	144	90	132	134
153	150	99	146	151
114	129	97	124	125
109	111	110	109	111
81	87	79	87	86
70	77	78	79	78
75	74	78	80	77
72	72	77	76	73
96	82	77	92	93
138	112	76	123	130
123	115	87	120	124
94	92	89	97	97
100	104	88	102	103
136	118	88	123	128
124	116	84	126	130
100	92	90	106	105
77	68	89	81	78
98	93	89	98	99
163	150	89	151	161
204	222	92	193	205
109	122	93	112	114
122	135	92	121	126
193	202	92	173	184

next page)

TABLE X—(continued)

Year	Rice	Wheat	Barley	Bajra
	(1)	(2)	(3)	(4)
1901	108	125	119	107
2	106	119	127	121
3	104	116	124	115
4	100	107	103	93
5	106(106)†	126(127)†	119(119)†	117(118)†
6	115(115)	129(130)	138(139)	153(155)
7	130(132)	137(140)	138(142)	125(127)
8	161(168)	198(205)	210(216)	203(204)
9	141(145)	187(192)	168(172)	150(150)
1910	129(131)	147(150)	132(134)	133(133)
1	129(130)	136(139)	136(138)	136(137)
2	137(138)	156(156)	176(179)	173(172)
3	139(141)	166(166)	176(179)	170(171)
4	143(146)	181(183)	191(197)	192(193)
5	151(152)	215(214)	204(207)	210(210)
6	146(148)	184(184)	208(214)	197(196)
7	139(139)	198(200)	203(207)	164(164)
8	180(181)	240(241)	249(251)	256(258)
9	238(240)	290(291)	313(310)	382(386)
1920	235(234)	266(266)	269(270)	294(294)

† Figures in brackets indicate what the percentage would have been had the districts 1907. The figures in brackets are strictly comparable with those from 1861

TABLE X—(continued)

Jawar	Gram	Salt	Arith. Aver. of first six commodities	Arith. Aver. of Cols. (2) to (6)
(5)	(6)	(7)	(8)	(9)
110	128	92	116	118
111	123	92	118	120
109	111	82	113	115
83	89	80	96	95
112(113)†	113(112)†	67	115(116)†	117(118)†
149(153)	137(137)	64	137(138)	141(143)
128(129)	142(139)	54	133(135)	134(135)
210(210)	226(223)	50	201(204)	209(212)
154(153)	171(166)	50	162(163)	166(167)
136(136)	128(122)	50	134(134)	135(135)
133(133)	124(119)	49	132(133)	133(133)
178(177)	152(146)	49	162(161)	167(166)
154(153)	162(157)	49	161(161)	166(165)
195(195)	198(196)	50	183(185)	191(193)
224(224)	198(194)	51	200(200)	210(210)
187(187)	192(188)	67	186(186)	194(194)
189(189)	199(194)	79	182(182)	191(191)
332(332)	236(233)	104	249(249)	263(263)
364(364)	331(328)	104	320(320)	336(336)
276(274)	323(318)	99	277(276)	286(284)

of Attock and Lyallpur not been included in 1905, and Kurram and Tochi in giving as they do the percentage calculated from the record of 19 districts

CURVES REPRESENTING THE PRICES OF FOOD-GRAINS IN THE
PANJAB, PRICES BEING EXPRESSED AS PERCENTAGES OF THE
AVERAGE PRICE FROM 1873 TO 1882, (VIDE TABLE X)

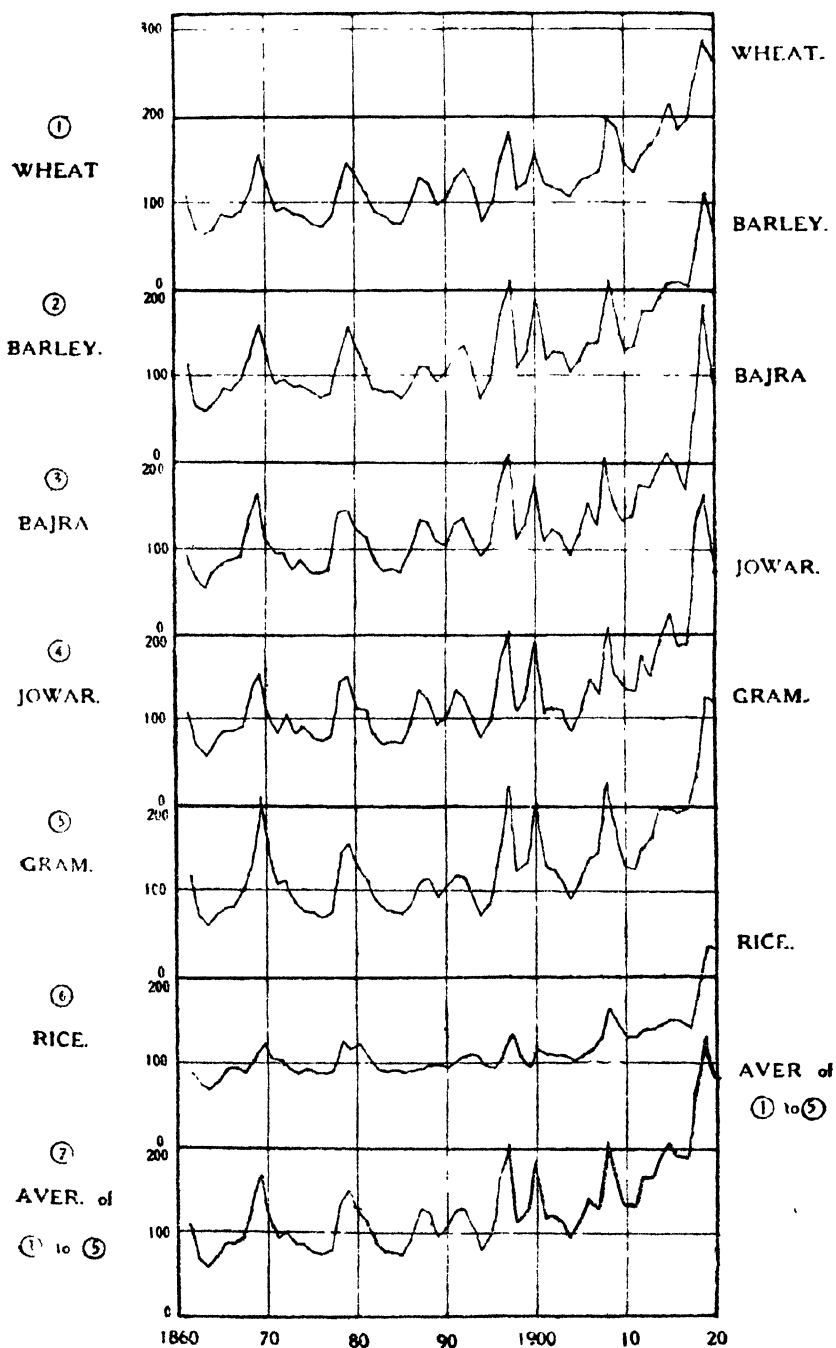
The figures given in Table X for wheat, barley, bajra, jowar, gram and rice, together with the average figures constructed from the first five commodities have been presented graphically in Diagram I. The first six curves represent the prices of wheat, barley, bajra, jowar, gram and rice expressed as a percentage of the average price of each in the ten years 1873-82. The seventh curve presents the arithmetical average derived from the first five commodities, (rice has not been included).

A study of the figures in Table X, or of the curves in Diagram I, suggests the following observations :—

1. Speaking generally, wheat, barley, bajra, jowar and gram tend to move in price as though they were one commodity. Economists in India have long been familiar with the way in which the prices of food-stuffs rose and fell together, but it is doubtful whether the closeness of the relationship has been fully realized. Though the curve for barley were mistaken for that of wheat, no very serious error would result. Or to put the same point in another way, if a student were given the price of barley in 1861, and the curve showing the percentage variations in the price of wheat, he might construct a table showing the price of barley over sixty years, and it would be nearer the truth than most people, and perhaps even the economists, would imagine possible.

2. The case of rice is obviously altogether exceptional. Its price feels those influences which affect the prices of the other food-grains, but to a very much slighter extent. Except in very limited areas rice does not form the staple diet anywhere in the Panjab, and so marked is the difference between it and the other food-grains that a second index number has been constructed from which rice has been expressly omitted. This index number naturally shows greater fluctuations than when rice is included. An explanation of the greater stability of rice prices as compared with those of other food-grains may be hazarded, and the problem may be tackled from the standpoint of the demand and supply of that commodity.

DIAGRAM I.
PRICES OF FOOD-GRAINS IN THE PUNJAB
EXPRESSED AS PERCENTAGES OF THEIR
AVERAGE PRICE FROM 1873-82.



The prices of the other food grains have been largely at the mercy of the seasons. Rice requires for its successful cultivation abundance of water, and may therefore be presumed to be grown where artificial irrigation of some kind can be taken advantage of. Assuming that the supply of water where rice is grown is so abundant that it is not likely to fail even in the worst seasons—e. g., hill streams fed from springs or from melting snow—this would account for its supply being much more constant from season to season than in the case of the other food-grains where a larger proportion is still grown on *barani* (¹). From the side of demand, the price of rice is invariably higher than that of wheat—(vide Table IX) so in periods of scarcity rice does not come within the category of the second line of defence in the same way as barley, bajra, jowar or gram. Although, when wheat has risen 100 per cent., and rice only 50 per cent., the latter may for the time being be comparatively a better bargain, it may mean nothing to the man who is being forced by the rise in the price of wheat to take to cheaper grains.

3. The curves show well defined positions of maxima in 1869, 1879, 1897, 1908 and 1919, with less obvious maximum points in 1887, 1892, 1900 and 1915.

Well defined minimum positions appear in 1863, 1876, 1885, 1894, 1904 and 1911, with less clearly defined turning points in 1889, 1898 and 1917.

These figures do indicate a tendency for high prices to appear about the time when the figure in the decennium changes, and for lower prices to prevail about the middle of the decennium. This matter will be taken up in more detail later when we come to deal with triennial, quinquennial, and decennial averages (²). The extraordinarily high prices which prevailed around 1920 *might* thus be the sum of two movements firstly, the cyclic influence of which there are indications, and secondly, the altogether abnormal circumstances produced by the war, and their effect on the world's output of food

(1) Percentage of the Panjab crop irrigated in 1922-23.

Rice	.. 79.2 per cent.	Bajra	.. 12.4 per cent.
Wheat	.. 52.4 " "	Jowar	.. 21.8 " "
Barley	.. 27.9 " "	Gram	.. 21.6 " "

The percentage of irrigated wheat in 1925 was 57.6. Rice-eaters usually prefer to eat the grain after it has been kept for a year, as this makes it more digestible; this suggests the storage of a large supply which would serve to keep prices steady under a short harvest.

(2) Vide p. 40 *et seq.*

crops. In another fifty years, however, it will be time enough to speak with authority upon this point.

The curve representing the arithmetical average of the percentages of wheat, barley, bajra, jowar and gram shows that food prices were below the 1873-82 average from 1862 to 1867, from 1871 to 1877 (the price in 1872 touched the average), from 1882 to 1886, in 1889, in 1894 and again in 1904.

Prices stood more than 50 per cent. above the average of 1873-82 in 1869, 1879, in 1896 and 1897, in 1900, in 1908 and 1909, and from 1912 to 1920 they have never fallen below this level.

The first time in which these prices rose more than 100 per cent. above the 1873-82 average was in 1897. They again touched that level in 1908 ; they rose slightly above it in 1915 ; and from 1918 to 1920 they have stood much above it.

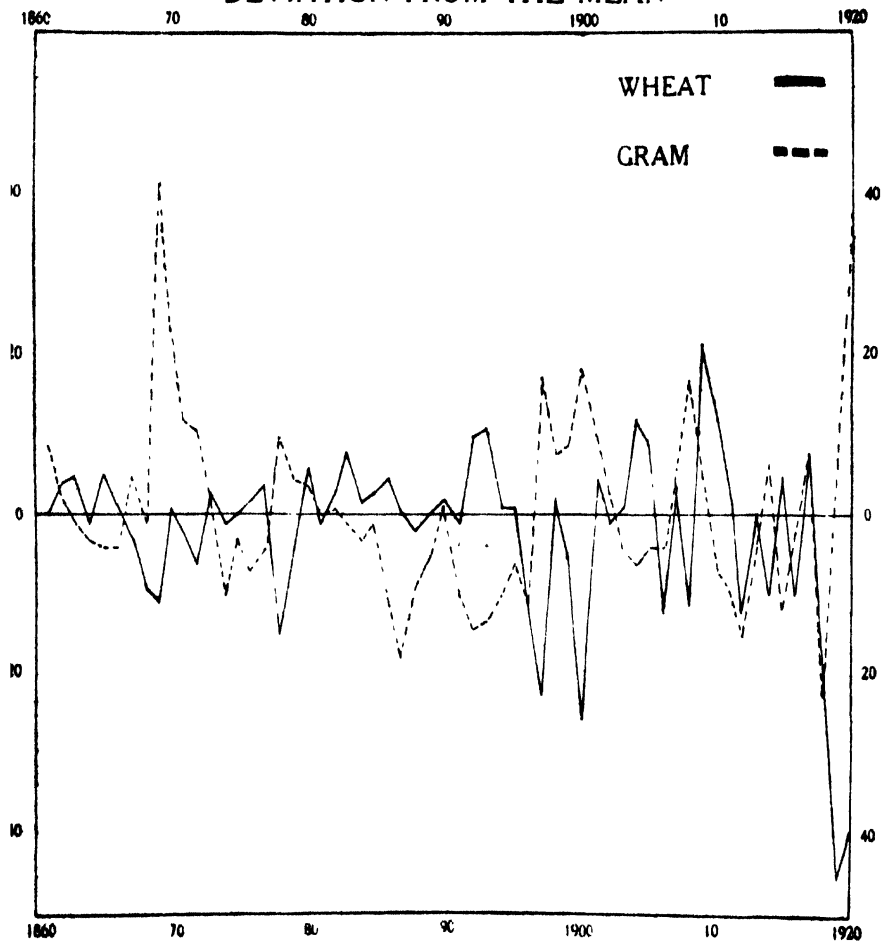
In 1918 food prices broke all previous records by standing 163 per cent. above the average ; in 1919 this record was eclipsed when the figure was 236 per cent. higher. The year 1920 saw a slight fall, 186 per cent. higher, to be followed in 1921 by a higher level of food prices than had been known before or has been known since.

4. In spite of the remarkable similarity between the curves showing the percentage prices of wheat, barley, bajra, jowar and gram, a close study of them will show that, on the whole, wheat has been subject to smaller fluctuations in price than either of the other food-grains. This point becomes much clearer from the logarithmic curves of food-prices⁽¹⁾, but as many people either pass by such curves in silence, or misread their significance in spite of all explanations, attention may be called to the fact here. If the non-mathematical reader will simply compare the curve showing the percentages of wheat prices with that showing the same data in the case of gram, he will be forced to admit greater stability of wheat prices. If the mathematical reader will turn to the logarithmic curves, and measure off for himself, he will be satisfied that wheat is the commodity which shows the smallest fluctuations.

To make this point still clearer, I have calculated the deviation of wheat and gram prices from the yearly average for all five commodities. The method of calculation should be clear from the following table which it is not thought necessary to complete.

(1) *Vide* curve facing p. 31.

DIAGRAM II
DEVIATION FROM THE MEAN



Year	Average of five commodities	Wheat		Gram	
		Percentage.	Deviation	Percentage.	Deviation
			+ -		+ -
1861	109	109	.. 0	118	9 ..
1862	67	71	4 ..	70	3 ..
1863	59	64	5 ..	58	.. 1
	etc.	etc.	etc.	etc.	

The figures showing the deviation as calculated above for the whole period from 1861 to 1920 have been plotted in Diagram II. What becomes at once apparent from this curve is that with a few exceptions where one curve is positive, the other is negative. If negative figures in the case of gram are plotted as positive and *vice versa*; if, in mathematical language, in the case of gram, y is plotted as $-y$, the curves show a remarkable similarity. When these curves representing the deviations of wheat and gram from the average are compared with that representing the general level of food prices, it will be seen that, with a few exceptions, when prices are high the deviation in the case of wheat tends to be negative, and in the case of gram to be positive. On the other hand, when prices are low, the tendency is for the deviation in the case of wheat to be positive and in the case of gram to be negative. In other words, the curves of average prices tends to exaggerate the fluctuations in the case of wheat, and to understate them for gram : the fluctuations in the case of wheat are generally less than would be indicated by the average, and in the case of gram they are greater.

Exactly the same conclusion is arrived at if the deviation in the case of wheat and gram is calculated from the prices of each in the basal period, 1873-82. There are a few exceptions, but the general result is undoubtedly that, whether the deviation is positive or negative, it is greater in the case of gram than in the case of wheat.

If the deviations of the prices of wheat, barley, bajra, jowar and gram from their price in the basal period, 1873-82 be totalled over the sixty years and divided by 60, we get the following results :—

Commodity	Deviation (+) i.e., where the price exceeds the price in the basal period (1873-82)	Deviation (—) i.e., where the price is less than the price in the basal period (1873-82)	Total Deviation
Wheat	33.3	5.6	38.9
Barley	36.2	6.6	42.8
Bajra	36.3	5.9	42.2
Jowar	36.5	7.1	43.6
Gram	37.3	7.5	44.8

It will be noticed that wheat shows the smallest fluctuations, both positive and negative. When the general level of prices is high, wheat rises generally less than would be indicated by the average deduced from the price of wheat, barley, bajra, jowar and gram ; when, on the other hand, the general price level is low, the price of wheat does not sink to the same extent as does that of other commodities.

There are no doubt various reasons for this phenomenon. A few are suggested below, but no attempt is made to assess their relative importance.

(a) The stocks of wheat carried over from year to year tend to be greater than in the case of the coarser grains⁽¹⁾. The shortage of one season may thus be partly supplemented by supplies carried over from the previous year, and hence in a time of scarcity wheat prices rise by a smaller percentage than the prices of the other food-grains. So, when the price of food-grains is very low, part of that year's supply of wheat may be carried over as reserve, and thus the price falls by less than the average.

(b) Another consideration which must exercise an important influence is this, that the percentage of the irrigated area to the total area under wheat is very much greater than in the case of the other food-grains⁽²⁾, (rice being of course excepted). The coarser food-grains are largely *barani* crops, and, as such, must feel the effects of a bad season very much more than wheat where a larger percentage is irrigated. The difference between the out-turn of such crops in good and bad years must be very much greater than the difference in the case of wheat, and this in itself may be a salient factor in leading to greater fluctuations in their price.

(c) The market for wheat is wider than that for the other food-grains and the assumption is commonly made that the wider the market for a commodity so much less is the tendency to fluctuations

(1) I am informed by Professor Stewart of the Agricultural College, Lyallpur, that it was estimated that in April, 1924—i.e., when the new wheat crop was being harvested—1/16th of the previous wheat crop in the Lyallpur District had not come upon the market. At the same time the Commercial Correspondent of "The Civil and Military Gazette" in the issue of 15th April, 1924, referred to the wheat market as very dull with no supply coming on the market.

(2) *Vide* footnote (1) on p. 23. In British India, 45·2 per cent. of the area under wheat was irrigated in 1924-25.

in its price⁽¹⁾. In good years wheat is much more largely exported from the Panjab than any of the other food-grains⁽²⁾. As soon as the price of wheat in the Panjab falls to a certain level, it becomes a feasible proposition to export it to Liverpool, and the price in the Panjab must then be largely influenced by the world price. With other food-grains such as bajra, jowar and gram which are largely consumed within the Province, this steadying influence is much less operative, and this would account for them falling by a larger percentage than wheat. When, on the other hand, food-prices are high, that wheat which in a year of plenty would have been exported will be directed to internal consumption, and hence through the export reserve—"reserve", we shall call it, to avoid the use of the much contested word, "surplus",—wheat rises in times of scarcity by a smaller percentage than the other food-grains which possess no such reserve. The weakness of this explanation—(and it cannot fail to be a potent influence under present conditions)—is that in the earlier years of the period of which we are treating when the export of wheat from the Panjab was of comparatively little importance, the phenomenon was quite as noticeable as it is now. Another explanation is therefore hazarded.

(d) It has long been recognised in the Panjab that so far as the consumption of food-grains is concerned, the law of substitution is continually at work. "Poor people, finding that the price of wheat is high, and they cannot afford to buy it, substitute coarser grains for it in their consumption"⁽³⁾. In England the process is often found at work as between wheat, potatoes and meat, but is perhaps more familiar in the case of drink than in the case of food. A rise in the price of beer leads to the substitution of spirits, and vice versa. There, however, in normal times wheaten bread is so distinctly one of the cheapest foods available that the substitution of the flour of coarser grains for wheaten flour which

(1) "This illustrates well the great law, that the larger the market for a commodity the smaller generally are the fluctuations in its price, and the lower is the percentage on the turn-over which dealers charge for doing business in it" Marshall's "Principles of Economics", 6th Edition, p. 328.

(2) The percentage of the various crops exported from the Panjab in 1920-2 taking net exports, (i.e., exports less imports) is given below:—

Rice	1'6 %	Bajra	} 5'7 %
Wheat	46'4 %	Jowar	

(3) Brij Narain: "Essays on Indian Economic Problems", p. 492.

is familiar in the Panjab, is practically unknown. In this connection it is interesting to recall that in the discussion in the House of Commons on Whitbread's ' Minimum Wages Bill ' at the end of the 18th century, Pitt severely censured the use of wheaten bread by the poorest of the community : he recommended as a way out of the difficulties of the time that the poor should change their diet, and in particular, that those in the South should follow the example of the North, and eat catmeal. The idea never took on : the people clung to what Pitt stigmatised as " groundless prejudice". During the late war the English public became familiar with bread made from adulterated flour, but the change had to be made by legal enactment. It was perhaps one of the most unpopular measures of the war⁽¹⁾.

In the Panjab the process of substitution takes place in response to changes in price. We have what might be called the " marginal consumer " of wheat, who, when the price of wheat is low, makes wheat his staple food, but who, when the price is high, is forced to transfer to the coarser grains. Even in the case of other classes, who could hardly be called marginal consumers, there is a tendency for their consumption of wheat to contract when its price rises ; this brings in its train a rise in the demand for the coarser and cheaper grains. It cannot be repeated too often that in any study of prices the demand with which we are concerned must be an " effective demand ", *i. e.*, a desire to possess backed up by the means of purchase. If wheat has risen in price to such a level that a particular class can no longer afford to buy it, that class becomes non-effective from the standpoint of directly influencing the price. Now, in so far as this process of substitution goes on as between wheat and the coarser grains, it would tend to account for the phenomenon we are attempting to explain. When food prices are high, a class which was previously consuming wheat is forced to curtail its consumption of that commodity, and take refuge in the coarser grains. The contraction of the demand for wheat, and the consequent rise in the demand for the coarser grains, would tend to bring about the result of wheat prices rising by a smaller percentage than those of the

(1) I have myself, in censoring soldiers' letters in France, come across the statement that when they came on leave from the front, they would take to their folks at home, as the souvenir which would be most appreciated, a loaf of white bread. The Army in France was throughout the war supplied with wheaten bread.

coarser grains. On the other hand, when food prices are low, a larger number of consumers come into the field with an effective demand for wheat : and classes previously consuming wheat extend their consumption of that commodity, taking at the same time less of the coarser grains. The natural effect is that wheat prices tend to fall by a smaller percentage than those of the other grains.

LOGARITHMIC CURVE OF PANJAB FOOD PRICES

A curve representing either absolute prices, or these prices expressed as a percentage of their price in a given year or of the average of their prices in a series of years, (vide Curve facing p. 22) is possessed of one great disadvantage. If the prices of food-grains rose, say from Re. 1 per maund to Rs. 2 per maund, this would be represented by a given vertical distance. Assume for the moment that the level has become stabilised around Rs. 2 per maund, and then rises to Rs. 4 per maund. This would be represented by a vertical distance twice as great as the first change, and yet in both cases the rise has been one of 100 per cent. So if prices are expressed as percentages of their price in a basal period, when the percentage figure rises from, say, 100 to 150, the vertical distance by which this change will be represented must be the same as if the figure rose from 400 to 450. If we assume that in the first case that the price level had before the change been oscillating around 100, and in the second case around 400, it needs no demonstration to show that the change in the first case is one of larger dimensions than in the second, though they would both be represented by the same vertical distance in the diagram.

To make this point more definite, the reader might kindly refer to the Curve showing percentage prices in the case of wheat (Diagram I). Two parts of the curve that present a distinct resemblance are those between 1863 and 1869, and between 1904 and 1908. The form of the curve and the amount of the rise appear very similar in these two portions. As a matter of fact the percentage actually rose from 64 to 158 in the first period, and from 107 to 198 in the latter. The absolute rise is approximately equal. But it is obvious that, although the absolute difference between 64 and 158 and between 107 and 198 is approximately equal, the first is likely to be a more serious economic phenomenon than the second.

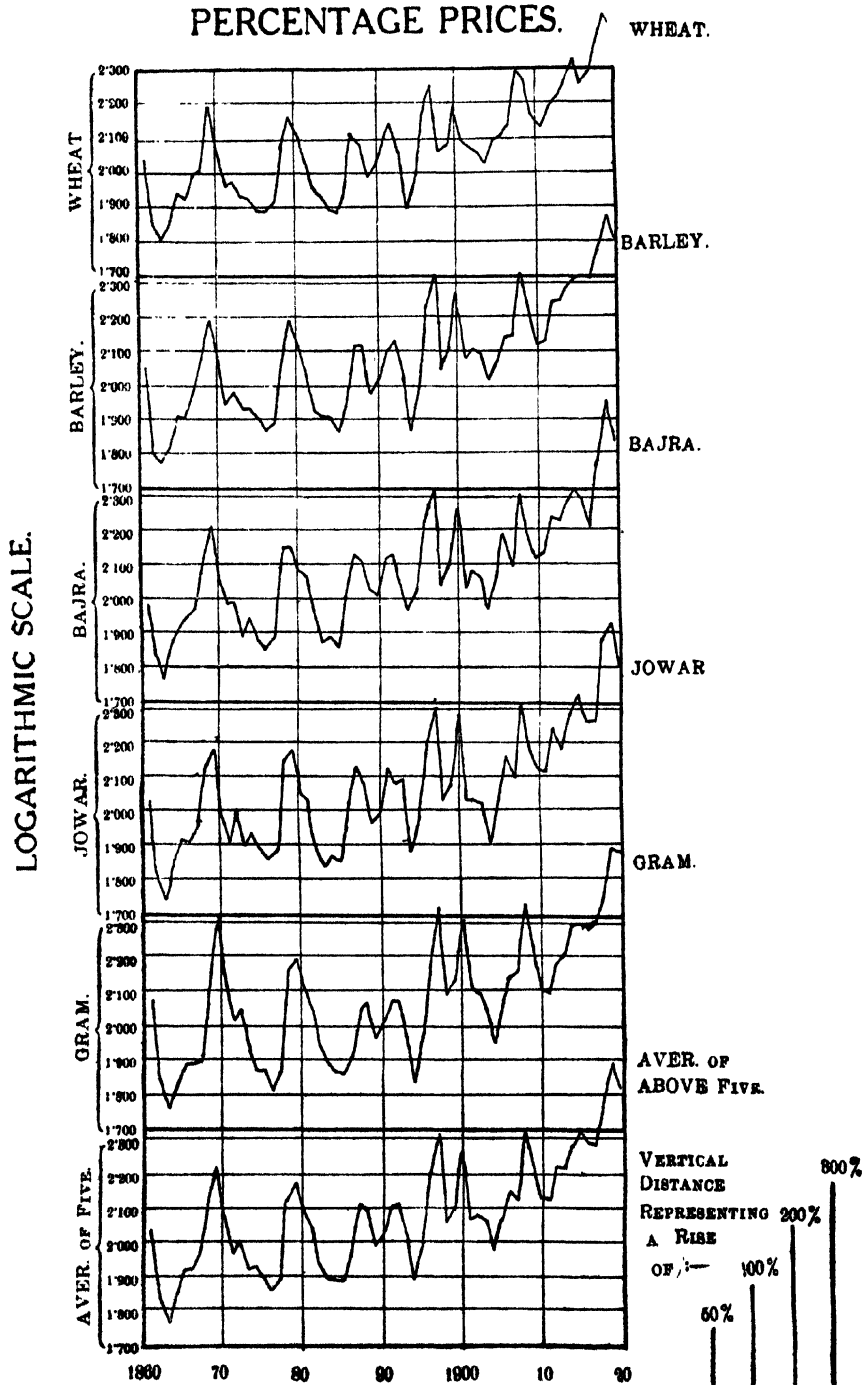
The first is equivalent to a rise of 147 per cent., while the latter is little more than half that figure, *viz.*, 85 per cent. Or take, say the rise in the general average between 1894 and 1897, as compared with that between 1917 and 1919. In the first case the rise was from 78 to 205, or 163 per cent.; while in the latter it was from 191 to 336, or 76 per cent.

When a mountaineer looks at the cross section of a piece of country he has to traverse, there are two considerations he will bear in mind. The first is the number of feet he will have to climb day by day, and the second is the altitude from which he will have to start. A climb of 5,000 feet is a thing he would treat lightly if he were starting from an altitude of 5,000 feet. He knows, however, that a similar climb from an altitude of 15,000 feet will be an altogether different and more difficult proposition, even although he has had time to linger at 15,000 feet and get accustomed to the rarified atmosphere. Would he not laugh to scorn the person who suggested to him that the climb in the first case might be presented as one of 100 per cent., while in the case of the latter it was no more than 33 per cent?

The case of prices is almost the converse of that stated above. There the rise in the general level from 5,000 to 10,000 is likely to be a more serious economic phenomenon and to produce more hardship and suffering than if the level rose from 15,000 to 20,000—the assumption being made in each case that before the change prices were more or less stabilised around the first mentioned figure. When dealing with prices the consideration of first-rate importance is not the absolute change so much as the ratio of the change, the ratio which the new price bears to the old one. With an ordinary curve, either of absolute prices, or of these expressed as percentages of a base, this consideration cannot be fully brought out.

Here, however, the difficulty can be surmounted by plotting not the prices, nor their percentages, but the logarithms either of these prices or of their percentages. Such a curve is a curve of ratios, and the reader must be on his guard against interpreting it in any other way. In such a curve the same vertical distance represents an equal percentage increase or decrease at any part of the scale, and the vertical distance equivalent to a rise of say, 50%, 100%,

DIAGRAM III LOGARITHMIC CURVES OF PERCENTAGE PRICES.



200%, etc., can be shown by drawing lines of the appropriate length beside the curve.

Such a curve showing the logarithms of the percentage prices of the principal food-grains in the Panjab, and of the average got from wheat, barley, bajra, jowar and gram has been prepared—(Diagram III). A close study of this diagram, and a comparison with that representing percentages (vide Curve facing p. 22) brings out certain interesting results.

The first point which is most clearly demonstrated is that towards the end of the period food prices in the Panjab have been subject to much smaller fluctuations than in the earlier period. In the case of most of the commodities, the ratio of the increase of price between 1904 and 1920 has been roughly equivalent to that between 1863 and 1869; in the one case the change is spread over sixteen years, and in the other over six. The greater stability of the level of food prices may be said to be one of the chief results brought out by the logarithmic curves. When ratios are taken and not absolute prices, the crests in the earlier period become much magnified, and those in the latter period look less deadly because the point of departure is so much higher.

A second point, to which reference has already been made⁽¹⁾, which is brought out most clearly is the smaller fluctuations in the case of wheat than in the case of the other food-grains. The same vertical distance in all cases means an equal percentage increase. Any one who will take the trouble to measure and compare the peaks in the case of wheat with those for the other commodities will see that almost invariably wheat shows the smallest fluctuations.

PRICE OF WHEAT IN THE SIX GROUPS OF DISTRICTS IN THE PANJAB

For wheat the average yearly price in each of the six Groups of Districts in the Panjab⁽²⁾ has been plotted. The figures for the Northern and Western Groups are not strictly comparable over the whole period in that in 1905 Attock was added to the former and Lyallpur to the latter, while in 1907 Kurram made its appearance

(1) *Vide p. 24 ante.*

(2) *Vide p. 3 ante.*

in the first and Tochi in the second. Otherwise the districts included in each Group are as given in footnote on page 3.

The most outstanding feature of the diagram, as might be expected, is the much greater dispersion of the curves in the earlier years of the period. In 1869, for example, while wheat in the Northern Group (Rawalpindi and Peshawar) stood no higher than Rs. 2'560 per maund, the figure for the Southern Group (Hissar and Ferozepore) was no less than Rs. 4'088 a difference of Rs. 1'5 per maund, or approximately Rs. 41 per ton. In 1879, on the other hand, the tables are practically turned; in that year the price of wheat in the Northern Group had risen to no less than Rs. 4'928 per maund, while it stood no higher than Rs. 2'783 in the South-Eastern Group (Delhi, Rohtak and Karnal)—a difference of Rs. 2'145 per maund, or approximately Rs. 59 per ton. From about 1885 onwards the prices in the different districts tend much more strongly towards equality. The cause is undoubtedly to be found in the improved means of transportation within the Province⁽¹⁾. Such dispersion as is noticeable in the years before 1885, even when the prices of wheat are not particularly high, becomes a much more uncommon feature after that date. Even so far as absolute prices are concerned, the earlier period can boast of peaks quite as fearsome as any to be found up to 1920.

For purposes of comparison, I set out below the differences between the prices in different districts when these differences were at a maximum in the years before and after 1885.

Year	District Group	Price of Wheat in rupees per maund	District Group	Price of Wheat in rupees per maund	Difference between (3) & (5) in rupees
(1)	(2)	(3)	(4)	(5)	(6)
1863	S. E.	1'963	So.	1'146	'817
1869	So.	4'088	N.	2'560	1'528
1871	N.	2'406	S. M.	1'605	'801
1879	N.	4'928	S. E.	2'783	2'145
1880	N.	4'543	S. E.	2'363	2'180
1884	S. E.	1'951	N.	1'361	'590

(1) For a short summary of the progress of railway construction in the Panjab, see Calvert's "The Wealth and Welfare of the Panjab", p. 53.

Year	District Group	Price of Wheat in rupees per maund	District Group	Price of Wheat in rupees per maund	Difference between (3) & (5) in rupees
(1)	(2)	(3)	(4)	(5)	(6)
1889	S. E.	2'286	S. M.	1'900	'386
1894	S. E.	1'917	C.	1'540	'377
1896	S. M.	3'71	C.	3'097	'613
1903	N.	2'662	S. M.	2'258	'404
1907	S. E.	3'373	N.	2'692	'681
1908	S. E.	4'679	W.	3'818	'861
1913	N.	3'831	S. M.	3'345	'486
1919	So.	6'523	W.	5'753	'770

The years selected in both parts of the Table are those in which the difference between the prices in different districts is the greatest. In other years it may be presumed that the difference is less

In the second part of the Table there is nothing at all comparable with the differences to be observed in the first part. The maximum difference in the second part is in 1908 when the price of wheat per maund in the South-Eastern Group was some 14 annas higher than in the Western Group. In 1880, on the other hand, the difference between the Northern and the South-Eastern Group was no less than two rupees, three annas per maund. The cost of transporting wheat from Multan to Ambala is now approximately 7 annas 11 pies per maund; from Rawalpindi to Delhi 9 annas, 6 pies per maund.

Thus in so far as the difference between the prices in different districts depends upon the cost of transportation, we might say that the "wheat points" within the Province—(to adopt a simile from the transactions of the foreign exchanges)—are not likely to be further apart than 10 annas. In other words, if the price in one district exceeds that in another by more than 10 annas, wheat is likely to start moving from the one to the other. This applies of course to the headquarters of districts, and not to regions far remote from the railway line.

As regards the relative level of wheat prices in the different Groups, it is almost impossible to generalise from the diagram. No one Group evinces a clear tendency to be either above or below the others throughout the period. Generally speaking, the price in the Sub-montane Group as might be expected, has shown a tendency throughout the period to be below, rather than above, the others; the price in the South Eastern Group tends more often than not to be above than below the average. A rather striking fact is the alteration in the relative position of the Western Group. In the earlier part of the period, in fact till about the beginning of the present century, this Group invariably showed a comparatively high level, which was particularly pronounced in times of scarcity. From 1905 onwards it practically leads the way as the district with the lowest level. This is undoubtedly to be ascribed to the opening up of the new Canal Colonies, and the introduction of Lyallpur in 1905 as one of the Districts in the Western Group.

RELATIVE PRICES OF RICE, WHEAT, BARLEY,
BAJRA, JOWAR AND GRAM

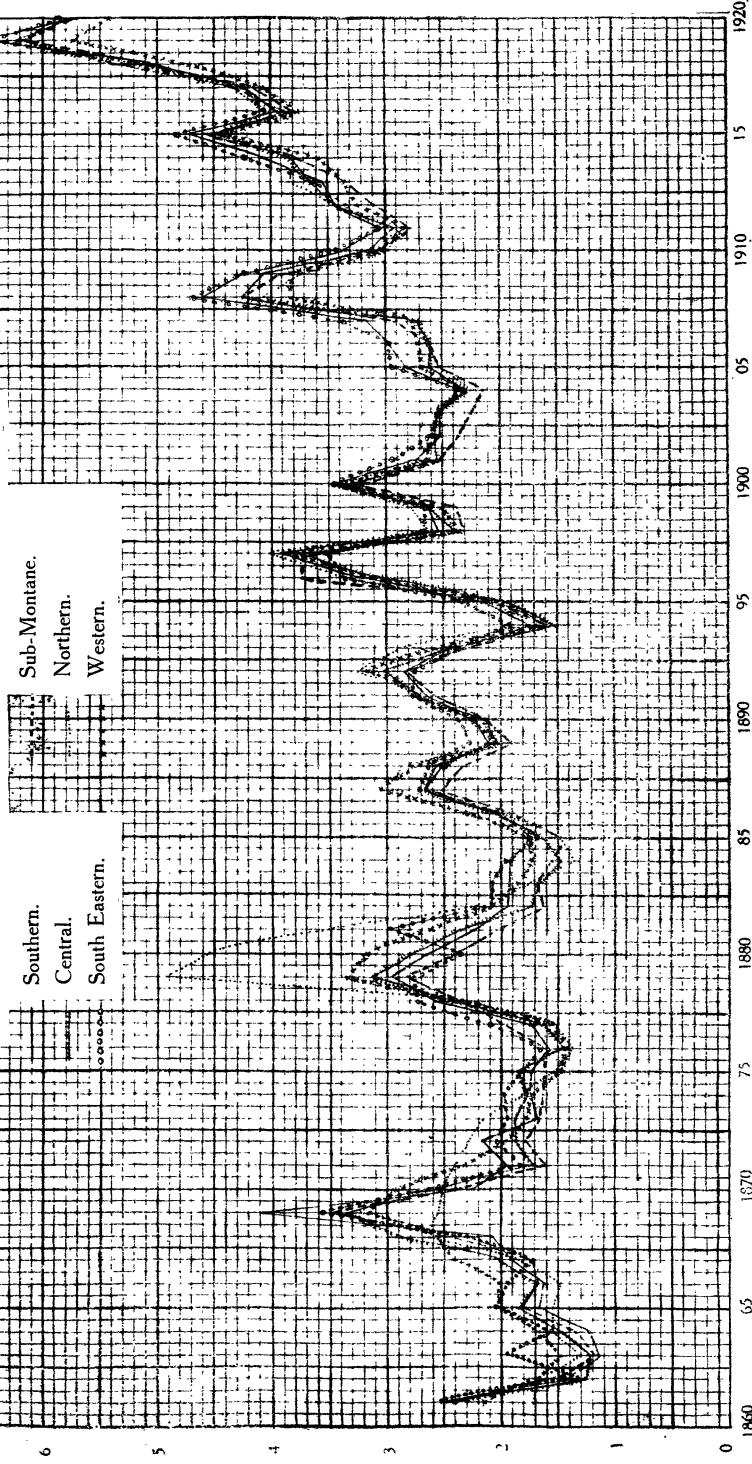
REMARKABLE STABILITY

In Table XI, the prices of the various food-grains have been expressed for each year as a percentage of the price of wheat in that year. The decennial averages obtained from that Table are reproduced below; also the average for the first thirty and the second thirty years; and the average for the sixty years taken as a whole.

		Rice	Wheat	Barley	Bajra	Jowar	Gram
<i>Aver.</i>	1861-70	184	100	66	88	78	85
	71-80	198	100	68	88	80	83
	81-90	183	100	66	89	76	76
	91-00	162	100	69	95	81	81
	1901-10	166	100	67	85	74	80
	11-20	155	100	71	93	86	84
<i>Aver.</i>	1861-90	188	100	67	88	78	81
	1891-1920	161	100	69	91	80	82
<i>Aver.</i>	1861-1920	175	100	68	90	79	81

PRICE
MAUND
(Rupees)

Diagram showing the Price of Wheat in each of the six Groups of Districts in the Punjab.



Two significant results may be noted. In the first place the comparative stability of the prices of barley, bajra, jowar and gram with reference to wheat is most striking. In each case there seems a slight tendency for these to rise in value relatively to wheat, but the change is so small as to be neglected for practical purposes. In the case of barley, bajra, jowar and gram the average prices in the second thirty years stand to those in the first thirty as 67 to 69, 88 to 91, 78 to 80, 81 to 82. When the great changes that have taken place in the agriculture of the Province through the extension of irrigation and means of transportation are borne in mind, this result is even more striking. No argument is more common than that the extension of irrigation has made it more difficult to procure feeding stuffs for cattle. Undoubtedly the conversion of grazing land into arable has limited the facilities for the rough grazing of stock, but in so far as typical feeding stuffs are concerned, they have shown little tendency to rise in value as compared with wheat. Relatively to wheat their value over the sixty years has been comparatively stable. Such difficulty as is alleged to exist in procuring them must thus have arisen from the rise in the general level of food prices, and not in the rise of these with reference to wheat.

The second point which deserves notice, though it is somewhat difficult to account for, is the fact that in terms of wheat, rice has fallen in value. For the six decades for which figures are available, the percentage price of rice in terms of wheat has been 184, 198, 183, 162, 166 and 155. Compared with the remarkable relative stability in the case of the other food-grains, this relative decline in the value of rice is even more noteworthy. It may be connected with improved railway facilities which make the import of rice into the Province from Bengal and the United Provinces more easy or with the extension of irrigation which confers a greater advantage upon rice than upon the other food-grains.

TABLE XI

TABLE SHOWING THE YEARLY PRICES OF RICE, BARLEY, BAJRA, JOWAR
AND GRAM EXPRESSED AS A PERCENTAGE OF THE PRICE OF
WHEAT IN THAT YEAR

Year	Rice	Wheat	Barley	Bajra	Jowar	Gram
1861	153	100	70	77	79	89
2	198	100	60	84	75	80
3	195	100	62	80	70	73
4	212	100	65	96	84	80
5	201	100	63	84	76	73
6	215	100	64	93	79	76
7	188	100	72	90	79	88
8	164	100	69	99	92	86
9	146	100	67	91	77	109
70	168	100	68	82	67	95
<i>Aver. 1861-70</i>	<i>184.0</i>	<i>100.0</i>	<i>66.0</i>	<i>87.6</i>	<i>77.8</i>	<i>84.9</i>
71	212	100	66	93	73	94
2	194	100	68	91	87	95
3	192	100	68	93	83	72
4	213	100	68	93	83	72
5	215	100	70	86	81	78
6	218	100	68	85	79	71
7	207	100	64	83	75	74
8	201	100	67	105	97	99
9	154	100	72	85	83	86
80	176	100	67	82	69	80
<i>Aver. 1871-80</i>	<i>198.2</i>	<i>100.0</i>	<i>67.6</i>	<i>88.3</i>	<i>80.1</i>	<i>83.0</i>
81	176	100	66	92	79	82
2	194	100	63	89	71	79
3	198	100	62	76	64	73
4	219	100	68	88	75	76
5	214	100	65	82	74	77
6	175	100	60	90	78	68
7	136	100	69	92	84	70
8	152	100	72	94	80	76
9	193	100	66	98	77	77
90	173	100	67	86	76	81
<i>Aver. 1881-90</i>	<i>183.0</i>	<i>100.0</i>	<i>65.8</i>	<i>88.7</i>	<i>75.8</i>	<i>75.9</i>
91	152	100	67	92	85	73
2	146	100	65	86	70	67
3	178	100	62	84	69	64
4	234	100	62	113	77	70
5	177	100	67	94	78	76
6	133	100	76	100	86	81
7	342	100	77	101	89	99
8	170	100	64	84	74	86
9	152	100	71	93	81	91
1900	140	100	80	101	97	104
<i>Aver. 1891-1900</i>	<i>162.4</i>	<i>100.0</i>	<i>69.1</i>	<i>94.5</i>	<i>80.6</i>	<i>81.3</i>

(Continued on next page)

TABLE XI—(continued)

Year	Rice	Wheat	Barley	Bajra	Jowar	Gram
1901	165	100	64	76	70	83
2	170	100	72	90	74	84
3	171	100	72	87	75	78
4	178	100	65	77	62	68
5	160	100	64	82	71	75
6	169	100	72	114	92	86
7	180	100	68	80	74	84
8	155	100	71	91	84	93
9	145	100	61	71	66	75
10	168	100	60	80	73	71
<i>Aver. 1901-10</i>	<i>166.1</i>	<i>100.0</i>	<i>66.9</i>	<i>84.8</i>	<i>74.1</i>	<i>79.7</i>
1911	182	100	67	88	78	74
2	168	100	77	99	91	80
3	159	100	71	90	74	79
4	152	100	71	94	86	90
5	134	100	64	86	83	75
6	151	100	76	95	81	85
7	134	100	69	73	76	82
8	144	100	70	95	110	80
9	156	100	73	116	99	92
20	168	100	68	98	82	99
<i>Aver. 1911-20</i>	<i>154.8</i>	<i>100.0</i>	<i>70.6</i>	<i>93.4</i>	<i>86.0</i>	<i>83.6</i>
<i>Aver. 1861-1920</i>	<i>175</i>	<i>100</i>	<i>68</i>	<i>90</i>	<i>79</i>	<i>81</i>

THE GENERAL LEVEL OF PANJAB FOOD PRICES

The yearly prices of wheat, barley, bajra, jowar and gram have already been expressed as a percentage of the average price of each of these food-grains in the ten years 1873-82, (vide Table X). An arithmetical average of the five percentages so obtained for each year has been constructed, and this figure year by year may roughly be said to indicate the price variations in Panjab food prices (vide Col. 9 of Table X). This average figure has been presented graphically in the lowest curve in the diagram facing page 22.

It has already been pointed out⁽¹⁾ that the percentage variations in the prices of the five food-grains are so similar that no very serious error would have been incurred had wheat alone been taken as representative of the others. It seems advisable, however, to take advantage of all the reliable data available, and take the average as deduced from the five commodities.

A study of either the actual figures showing this average, or of the curve constructed from them, shows clearly the fluctuations from year to year. These yearly oscillations, however, particularly in the earlier years, are so violent that from either the figures or the diagram, as they stand, it is not easy to get any idea of the *general* trend of food-grain prices. It is equally difficult to say definitely from them whether there has been in evidence a well defined cycle of high and low prices. If we take maximum turning points, for example, we find these clearly marked in the years 1869 and 1879. In the next decade prices fall very low in 1885, and then it looks as though the story of the two previous decades were to repeat itself ; but prices after rising until 1887 then fall, and rise again to another maximum in 1892. Similarly in the last decade of the century, high prices show a double peak with its apices in 1897 and 1900. If we are to investigate the *general* trend of these prices, and the problem of the periodicity of high and low prices, some method must be adopted which will minimise annual fluctuations, and show more clearly the general tendency.

The simplest and most convenient method for this purpose is to take for each year, not the price of that year, but the averag

(1) Vide page 22 ante.

of that price with that of one, two, three, four or five years before and after the year in question. In this way, any exceptional fluctuation in one particular year will be softened down, and the larger the number of years we take the smaller will become the yearly fluctuations. A three-yearly average, for example, still shows considerable short-period fluctuations; these are smaller than those in the curve of yearly prices, but for the purpose now in view the three-yearly average is only a little more useful than the yearly percentage. As the period is widened, however,—as we take a five-yearly, a seven-yearly or a ten-yearly period—annual fluctuations become less prominent, and the *general* tendency, upwards or downwards, becomes more prominent.

A table constructed in this manner is set out overleaf

TABLE XII
PANJAB FOOD-GRAIN PRICES
Three-Five-Seven-Ten-Yearly Averages

Year	Average price of wheat, barley, bajra, jowar and gram as a percentage of their average price from 1873 to 1882	Averages			
		Three Yearly	Five Yearly	Seven Yearly	Ten Yearly
1861	109				
2	67	78			
3	59	66	78		
4	71	71	73	81	
5	83	79	78	83	
6	83	87	91	98	98
7	94	101	111	106	96
8	126	130	118	110	100
9	169	138	120	112	102
1870	119	127	121	112	103
1	93	104	113	111	103
2	100	92	96	104	102
3	82	89	87	90	100
4	84	81	83	84	101
5	77	78	79	90	99
6	72	76	89	97	100
7	78	95	102	103	101
8	134	121	112	107	102
9	151	137	120	108	100
1880	125	129	121	109	99
1	111	107	110	109	99
2	86	92	95	100	101
3	78	80	85	92	106

(Continued on next page)

TABLE XII

PANJAB FOOD GRAIN PRICES.—(continued)

Year	Average price of wheat, barley, bajra, jowar and gram as a percentage of their average price from 1873 to 1882	Average.			
		Three Yearly	Five Yearly	Seven Yearly	Ten Yearly
1884	77	76	82	93	105
5	74	81	90	95	99
6	93	99	100	96	97
7	130	116	104	100	99
8	124	117	109	107	103
9	97	108	116	115	106
1890	103	109	116	117	106
1	128	120	113	109	109
2	130	121	109	106	115
3	105	104	108	115	123
4	78	94	115	129	122
5	99	113	130	127	125
6	161	155	131	127	133
7	205	160	141	138	132
8	114	148	158	144	131
9	126	141	149	147	132
1900	184	143	132	140	134
1	118	141	133	125	135
2	120	118	126	125	133
3	115	110	113	127	126
4	95	109	118	120	136
5	117	118	120	133	140

(Continued on the next page)

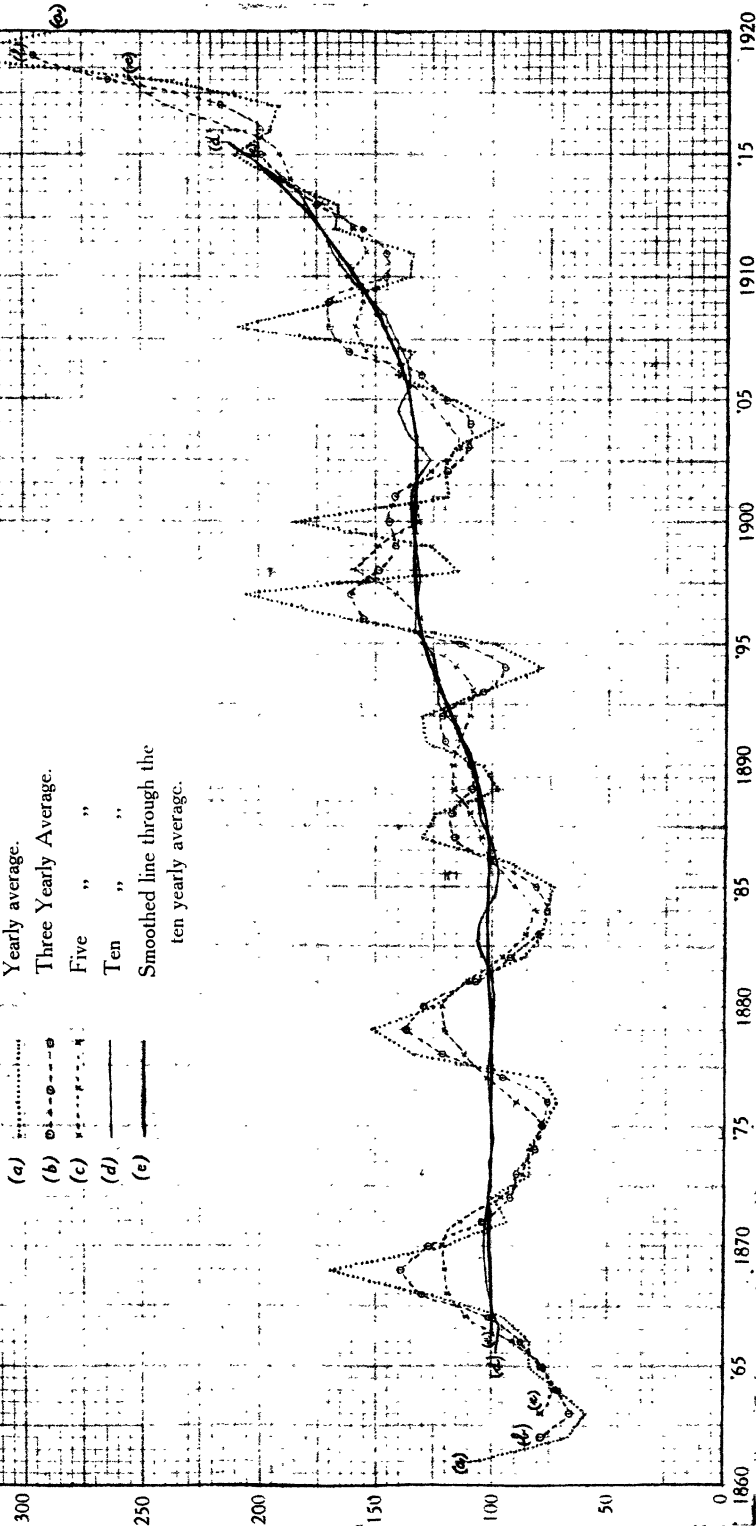
TABLE XII

PANJAB FOOD-GRAIN PRICES—(continued)

Year	Average price of wheat, barley, bajra, jowar and gram as a percentage of their average price from 1873 to 1882	Averages.			
		Three Yearly	Five Yearly	Seven Yearly	Ten Yearly
1906	141	139	139	139	135
7	133	161	153	142	136
8	209	169	157	148	141
9	166	170	155	155	146
1910	135	145	162	158	156
1	133	145	153	167	165
2	107	155	158	167	170
3	166	175	173	171	176
4	191	189	186	179	182
5	210	198	190	197	199
6	194	198	209	222	214
7	191	216	239	230	
8	263	263	254		
9	336	295			
1920	286				

SMOOTHED CURVE OF PUNJAB FOOD PRICES.

- (a) Yearly average.
- (b) Three Yearly Average.
- (c) Five " "
- (d) Ten " "
- (e) Smoothed line through the ten yearly average.



A diagram has been prepared in which have been plotted :—

- (a) the yearly percentage figures,
- (b) „ three-yearly average,
- (c) „ five-yearly „
- (d) „ ten yearly „
- (e) a hand drafted smoothed curve through the ten yearly average.

All of these curves are deserving of close study. The first shows clearly the huge annual fluctuations in the prices of the food-grains, and differentiates clearly the fat years from the lean. It tells its own tale of years when the monsoon was favourable and when the reverse. But it gives us only the roughest indication as to whether the *general* level of prices was rising or falling.

The curve showing the three-yearly average shows smaller oscillations, but takes us only a short way in the quest we are after.

The curve presenting the five-yearly average is of particular interest in that it seems to indicate a well-defined periodicity. The tendency for an era of high prices to occur towards the end of each decennium seems clearly brought out by this curve. Well-defined maximum turning points are shown by it in the years 1869-70, 1879-80, 1889-90, 1898, 1908-10,—(and we may surmise that another will be found around 1920). The reader must not be distressed though such a curve as this gives a maximum turning point when prices actually were low. If two periods of maxima occur at short intervals, *e.g.*, in 1887 and in 1892, the method of a five-yearly average may show the maximum as it does in 1889-90 when prices actually were low. This objection can only be removed by varying the length of the period chosen. The tendency, however, which the curve shows for eras of high and low prices to recur about every ten years seems to us of particular interest—but we shall return to this point later.

In the curve showing the ten yearly average, the influence of particular years, whether of plenty or of scarcity is much less marked. In its construction fat years have been set against lean years; the cheap prices of 1863 and 1876 have been balanced by the dear prices of 1869 and 1879. By so doing, we have arrived at

a curve which gives us roughly the *general* trend of food prices. This curve has been smoothed by a hand-drafted line, and this shows us clearly the *general* level of food prices when yearly fluctuations have been largely eliminated.

A study of this new smoothed curve makes four points abundantly clear, and each demands an explanation :—

1. Firstly, there is the remarkable stability in the *general* level of prices from 1861 to 1887⁽¹⁾, in spite of years of severe famine and years of plenty.

2. Secondly, the rise in the *general* level of food prices which set in about 1887, and continued till 1896

3. Thirdly, the comparative stability which set in in 1896 and continued until about 1905.

4. Fourthly, the rapid rise in the *general* level which began about 1905, and which seems still in operation as far as our figures take us, viz, 1920.

To offer an adequate explanation of these phenomena is a more difficult problem. If we are right in supposing that the cycle of

(1) I have confined my survey to commodities for which I could get reliable quotations of prices for the Province taken as a whole, viz., wheat, barley, bajra, jowar and gram. To that extent my survey is of a limited nature, and may be attacked on the grounds that the commodities selected are not representative. In a statistical survey, however, it is better to work from a limited mass of fairly reliable data, than from a much larger mass of which the accuracy is more doubtful.

My observations, however, bring me to a conclusion diametrically opposed to that generally accepted, and which is arrived at in an entirely different way by Professor Brij Narain in his "Essays on Indian Economic Problems". In an Essay on "Prices before 1861", after a survey of different Settlement Reports, he comes to this conclusion :—"Prices continued to be low till about 1860, after which they began to rise. For the first two or three years after 1860 the rise was due to famine, as also in 1868-69, but it is broadly true that after 1865 prices show a marked upward tendency." (p. 60). Again on p. 67, he says, "To sum up : There are two chief features in the early history of our prices (*i. e.* Panjab prices), the heavy fall of prices in the first three years after the annexation of the Panjab, and the gradual rise of prices since 1860." Again on the same page he speaks of "*the rise in the price of agricultural produce . . . after 1860.*" (The italics in each case are mine). The conclusion is arrived at after a review of various Settlement Reports. He finds himself called upon to account for this rise in prices. The phenomenon brought out by my statistical survey is the reverse of that stated above, viz., the remarkable stability of the *general* level of food prices in the Panjab from 1861 to 1887.

high and low prices runs its course in about ten years, it is obviously futile to attempt to explain the rise in the general level that has taken place since 1887 by any enumeration of good and bad seasons. It seems much more likely that it is connected with the improvement of communications in the Province, and the linking up of its markets with those of the West. Such an event would naturally tend to bring the price level in India nearer equality to that of the West. But such an Index Number as that of Sauerbeck's shows the general level of prices in England falling till 1896, after which it tended to rise. In the Panjab, so far as food-grains were concerned, the reverse is seen to be the case. The price level rose till 1896 while in England it was falling; once it started to rise in England, a period of comparative stability set in in the Panjab.

We are, therefore, forced to look for some cause of a general nature which was peculiar to the Panjab, or at least to India, as opposed to England. The cause to which the economist naturally turns, and one over which the business man is generally very sceptical, is the quantity of money in circulation. The business man, if he is, say, a dealer in wheat is so much accustomed to study particular causes—a failure in the monsoon in some other part of India, a shortage in the supply within the Province, the abundance or otherwise of the American wheat crop, etc.—that he is inclined to treat with scorn the influence of a general cause such as the increase of currency in circulation. Have we not all met the successful business man, the man who has done well and is the reverse of a fool, who, perhaps out of deference to the economist, will in a general sort of a way recognise that there may be some connection between the volume of currency in circulation and the general level of prices; but who, at the same time, confesses himself utterly unable to grasp the fact that there can possibly be any connection between the volume of currency and the prices of the commodities in which *he* deals? Yet such general causes are quite well known and universally recognised in other spheres of life. The mean level of the water in an inland lake may be presumed to be the same when it is smooth as a mill-pond, and some eight hours later when a hurricane is raging and mighty waves have formed. Against the crest of the wave must be set the trough, and the mean level will be approximately the same. But if for the

inland lake we substitute a harbour by the sea, and make the same assumptions, it would be exceptional if the mean level were the same at two times eight hours apart. And why? Because in this case an influence of a *general* nature, namely, the tide, had been silently operating, and may have exercised a much greater influence on the mean level than the waves which have arisen on the surface. Of such a nature is the influence of the quantity of money in circulation on the general level of prices.

The economic student who looks at our smoothed curve of food prices is almost certain to recall the great imports of silver which set in after the demonetization of that metal in the early seventies by Germany and the United States, and the depreciation of that metal in terms of gold. He will recall the financial difficulties of the Government of India which led eventually in 1893 to the closing of the Indian Mints to the free coinage of silver, and *a priori* he may look for a reflection of these alterations in the price level. He may find indications of what he seeks in the rising price level from 1887 to 1896, and in the period of comparative stability from 1896 to 1905.

The correlation of the general price level of food-grains in the Panjab with the amount of currency in circulation in the Province, is, however, a problem of considerable difficulty. The writer knows of no figures which even attempt to give an estimate of the total amount of currency in circulation in the Province year by year, and the Currency Office in Lahore confesses itself unable to help. Even the total amount of currency in circulation in India in different years is a matter of conjecture, and different estimates show considerable discrepancies. I suggest borrowing the estimate given by Mr. Datta in his "Inquiry into Prices in India" (1). He gives a table showing the estimated total amount of currency (including currency notes) in circulation in India from the year 1884 to 1912. If we make the assumption, and it is rather a big one, that any increase or decrease of currency in circulation in India will reflect itself proportionately in the Panjab, we may take the figures given by Mr. Datta, and compare them with the general price level we have established.

(1) For the method in which the figures were arrived at see Datta "Inquiry into Prices in India", p. 92.

DIAGRAM VI

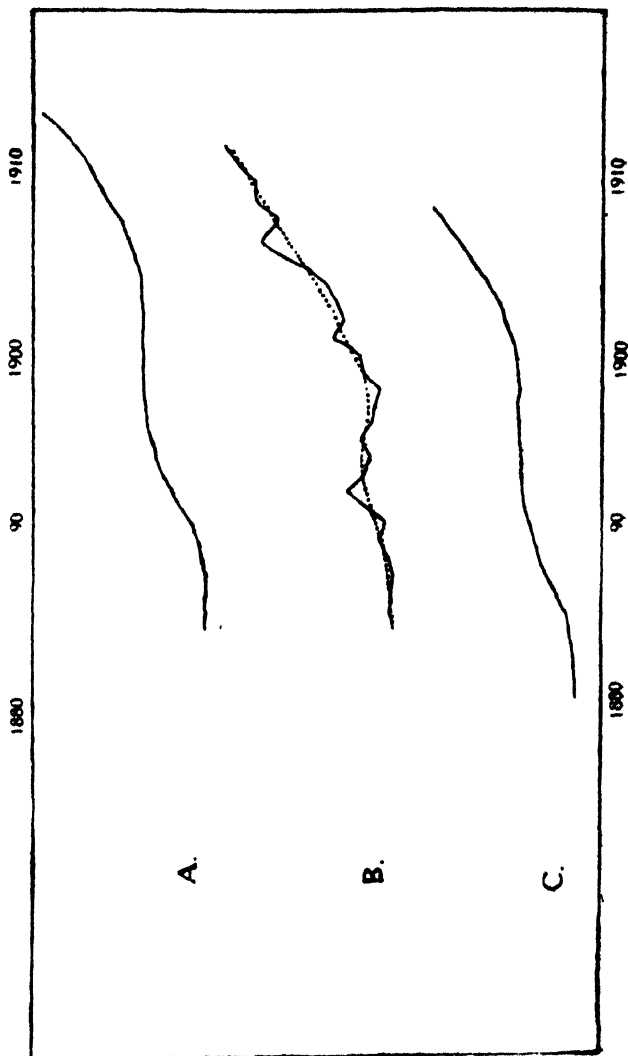
SHOWING

A. SMOOTHED CURVE OF PUNJAB FOOD PRICES

B (i). ——— TOTAL AMOUNT OF CURRENCY
IN CIRCULATION.

(ii). - - - - - SMOOTHED CURVE OF SAME.

C. SMOOTHED CURVE OF PUNJAB FOOD PRICES
PLOTTED WITH A 5 YEARS' LAG.



A diagram has been prepared showing :—

- (1) the smoothed curve of Panjab food prices,
- (2) the amount of currency in circulation (as given by Datta),
- (3) the smoothed curve of Panjab food prices plotted to make allowance for a five-years lag.

If curve (1) be compared with curve (2), a fairly close resemblance is noticeable. The main point of difference is that, while the form of the two curves is largely similar, the variations in curve (2) lag behind those in curve (1). For purposes of comparison, curve (1) has been plotted a second time as curve (3), but in this case the figures have been put forward five years.

To the economic student the close resemblance of these curves is more than a coincidence. The rising flood of the currency in circulation till 1892, the fall after that date until 1898, and the rise from then onwards all have their counterpart in our smoothed curve of prices, though the latter seems to lag a few years behind. But to attempt anything more than the suggestion of the relationship would necessitate a complete paper to itself.

PERIODICITY IN PANJAB FOOD PRICES

It has been suggested previously that the figures given by the three-yearly, five-yearly and seven-yearly averages seem to indicate fairly clearly a well-defined cycle of high and low prices, the period of which is about ten years. This point may now be taken up more fully.

The maximum points as given by each of these averages are set out below :—

Three-yearly	Five-yearly	Seven-yearly
1869	1870	1869-1870
1879	1880	1880-1881
1888	1889 & 1890	1890
(1892	..	1894)
1897	1898	1899
..	..	1903)
1908	1908 & 1910	..
(¹)	(¹)	(¹)

(1) Figures are not yet available to enable us to construct such averages at the end of the period, but the presumption is that a similar maximum turning point will be found somewhere between 1919 and 1921.

In the above, there are certain discrepancies, but on the whole the fact seems to be well established that during the period 1861 to 1920, there has been a most pronounced tendency for high prices to prevail, so far as Panjab food prices are concerned, when the figure in the decennium is about to change. The entry 1892 under the three-yearly average may be said to be due to a short-period fluctuation which a three-yearly average is too short to eliminate—at this time we had a “double peak”. The entries 1894 and 1903 under the seven-yearly average, both of which may be regarded as exceptional, can easily be explained. Both of these were years of very low prices, but the period of seven years is sufficiently long to embrace the falling prices from one maximum, and the rising prices to another, and thus in these cases years of actual low prices have appeared as maximum turning points.

If we delete these exceptional cases, and summarise the remainder, we arrive at the following:—

Maximum Turning Points

Number of occasions where the digit was :—

1	2	3	4	5	6	7	8	9	0
$\frac{1}{2}$	0	0	0	0	0	1	$2\frac{1}{2}$	5	5

(NOTE.—Where two years appear under the maximum, *e. g.*, 1869 & 1870 in the first entry in the seven-yearly column, each has been entered as $\frac{1}{2}$.)

The ten-yearly average shows considerable deviations, and in many cases gives the maximum in the wrong place. But if the ten-yearly period is granted, this discrepancy is to be expected. Economic laws differ from the laws of the natural sciences in that they merely express tendencies which will occur in the absence of disturbing causes. In Astronomy, for example, once the path of a particular star, and the rate at which it travels, have been determined, its position at any time in the future can be foretold with almost mathematical accuracy. But all kind of counteracting influences may intervene to upset the working of economic laws. An increase in the quantity of money in circulation within a country might be expected, other things remaining the same, to raise the general level of prices, but the volume of trade might increase, the rapidity of circulation might decrease, and various other influences

intervene to neutralise the influence of the increase in quantity. So, as regards the recurrence of any particular economic phenomenon, whether it be a period of trade depression or an era of high prices, though the period in general may be perfectly well-defined, it may at any time be upset by altogether unforeseen circumstances. The tendency may be for high prices to recur in the Panjab every ten years, but that tendency may on any particular occasion be accelerated or checked by circumstances of an exceptional nature. The period, instead of being ten, might be nine or eight. In that case it must be obvious that a ten-yearly average may give altogether unexpected results, for it may bring the period of maximum when prices actually were at their lowest between the two points of maxima.

The minimum turning points as given by the three-yearly, five-yearly and seven-yearly averages give results equally significant to those of the maximum. The following table gives the minimum turning points :—

Three-yearly.	Five-yearly.	Seven-yearly.
(1863	1864	1864)*
1876	1875	1874
1884	1884	1883
1894	1893	1892
1904	1903	1904
1910 & 1911	1911	1912**

* Not altogether reliable as the earlier figures necessary are not available.

** No fall, but rise apparently checked.

If these figures be summarised in the same way as before, we get the following :—

Minimum Turning Points.

Number of occasions where digit was :—

1	2	3	4	5	6	7	8	9	0
1½	2	4	8	1	1	0	0	0	½

Where we take the two summaries side by side, they seem to warrant the conclusion that during the past sixty years the tendency has been unmistakable for an era of low prices to prevail in the

Panjab so far as food-grains were concerned around the year with the digit 4, and for an era of high prices to prevail when the digit was 9 or 0. This is a study of what has been, and not of what is to be in the future. We refuse to be led into the field of prophesy; suffice it to say that the decade in which we live bids fair at the moment to run a similar cycle. The year 1924 has certainly witnessed a very great decline from the high prices which prevailed from 1919 to 1921.

If we are correct in our surmise that high and low prices tend to recur every ten years, then we should get a curve of a somewhat regular nature if we total the percentage figures for the digit 1, for the digit 2, etc. This has been done in Table XIII below:—

TABLE XIII.

Percentage when digit is :—

Year	1	2	3	4	5	6	7	8	9	0
186—	109	67	59	71	83	83	94	126	169	119
187—	93	100	82	84	77	72	78	134	151	125
188—	111	86	78	77	74	93	130	124	97	103
189—	128	130	105	78	99	161	205	114	126	184
190—	118	120	115	95	117	141	133	209	166	135
191—	133	167	166	191	210	194	191	263	336	286
6/692	670	605	596	660	744	831	970	1045	952	
	115	112	101	99	110	124	138	162	174	159

This table shows a tendency for prices to be at their lowest in the year with the digit 4, and at their highest in the year with the digit 9. This method of procedure is, however, subject to one great objection, in that the percentage figures in the last decade are very much higher than in the first and as a consequence they exercise a much greater weight on the result, whereas we should like the figures of each decade to exercise the same influence. This difficulty may be overcome by totalling the figures in each line and then expressing each particular figure in the line as a percentage of this total. This has been done below in Table XIV.

DIAGRAM VII
AVERAGE PERCENTAGE
PRICE WHEN DIGIT IS

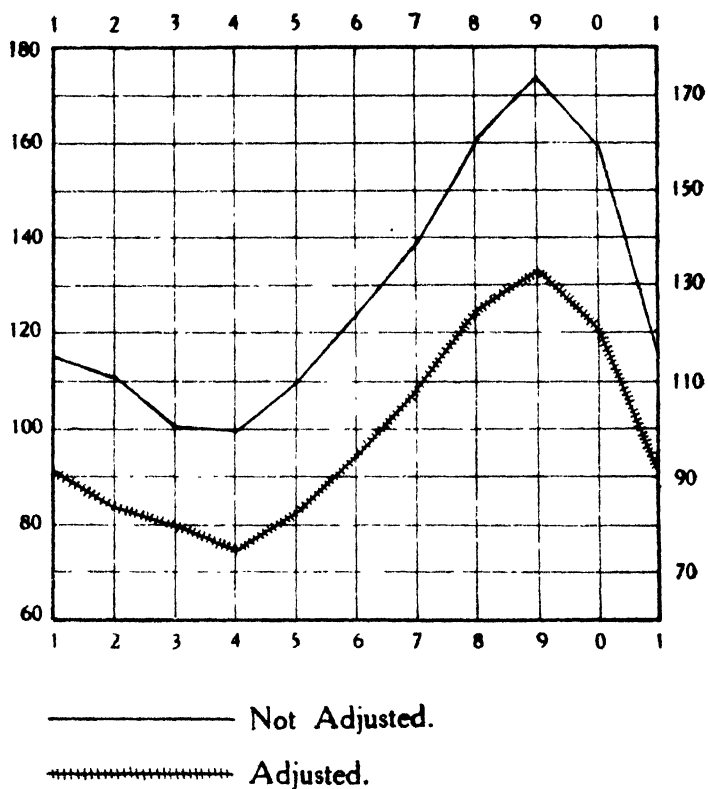


TABLE XIV.

FIGURES OF TABLE XIII ADJUSTED, SO THAT EACH LINE

TOTALS 1,000.

Percentage when digit is:—

Year	1	2	3	4	5	6	7	8	9	0
186—	111	68	60	72	85	85	96	129	173	122
187—	93	100	82	84	77	72	78	134	151	125
188—	114	88	80	79	76	96	134	128	100	106
189—	77	96	98	59	74	121	154	86	95	138
190—	87	89	85	70	87	105	99	155	123	100
191—	63	62	78	89	98	91	89	123	157	134
	6/545	503	483	453	497	570	650	755	799	725
	91	84	80	75	83	95	108	126	133	121

The results arrived at when the figures are adjusted in this way are not very dissimilar in their results from those given by Table XIII—a result to be anticipated if the figures in the latter decades are due to general influences which are as pronounced in the first years as in the last of the decade. Again a clearly defined minimum is observable when the digit is 4. In this case the maximum is clearly found when the digit is 9.

The figures arrived at in Table XIII and in Table XIV have been presented graphically, and the diagram illustrates even more clearly what has been said above. One point that seems borne out by it is that the descent from a period of high prices is more rapid than the ascent, but this we do not stress, nor do we at present attempt to explain it.

To sum up our observations on periodicity we may say:—

1. that from a review of the years for which we have definite information a cycle seems well established ;
2. that the length of that cycle would appear to be ten years;
3. that the tendency has been for an era of high prices to prevail about the end of each decade, and the year when it

has in general been at a maximum has been that with the digit 9;

4. that an era of lower prices usually set in with each new decade, and the tendency has been for prices to reach a minimum in the year with the digit 4 ;
5. that influences of a non-periodic nature have at times upset the regularity of the cycle, but of its existence there seems little doubt ;
6. that the tendency in the present decade seems to be in harmony with the general trend outlined above.

PRINCIPLES OF LABOUR LEGISLATION IN INDIA.

BY

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Within the last six years India has taken rapid strides in the matter of Labour Legislation owing to an exceptional combination of favourable circumstances. Indeed the pace at which the country is marching has given rise to a feeling of doubt whether the steps taken have been as sure and sound as they are undoubtedly quick. There are those who ask whether in a country where 73 % of the people are agriculturists first and last, the small class of industrial workers do not receive a consideration at the hands of the community out of all proportion to the weight of their numbers. But this is rather a superficial view to take. The extent and importance of a question cannot be judged by mere numbers or percentages. The industrial expansion of India has effected certain changes in our organisation, which have cut deep into the lines of the whole population and not merely the classes of workers who have been directly involved. But doubts may arise as to whether in our anxiety to keep abreast of modern standards of labour welfare we may not have been going too far. The Factory Act of 1911 has been amended rather radically in the eyes of some ; the Mines Act has been completely revised ; a scheme of Compensation for industrial accidents has been enforced ; other bills are on the anvil including some private bills. It seems therefore desirable to consider whether, judged in the light of the past, the fears of the country adopting Western practices without regard to her special conditions and circumstances are legitimate and well founded.

Indian Factory legislation owed its origin largely to external pressure and was imposed from without. The interested agitation of Manchester was one of the main factors responsible for the passing of the first Factory Act. But it is an interesting fact that in spite of attempts on the part of a powerful community to impose on India a full fledged piece of legislation, the course of factory legislation in India like that of England has been distinctly evolutionary and progressive in character. The first attempt of the State in the domain of industrial welfare was in 1881 when the evils of employing

little children for long hours in textile factories were sought to be remedied. It took ten more years for the State to move in the direction of regulating the employment of women because the State was not prepared merely on the analogy of other countries to legislate unless definite evils were shown to exist calling for remedy. But the Factory Act of 1911 went even further, and gave protection not merely to women and children, as in England, but to male adults as well. Each amending Act marked a further stage in the increasing degree of protection it afforded to workers.

A steady and continuous advance has been the marked feature of Indian factory legislation. The first Factory Act applied only to establishments employing 100 and more persons and using mechanical power, but after sometime it was recognised that no logical distinction could be made between establishments employing 100 and above and those employing less; that indeed in some respects the need for regulating conditions of work in very small establishments was even more insistent and that therefore what applied to the power driven establishments must equally apply to the latter, so that the Factory Act of to-day covers every establishment employing 20 persons and using mechanical power, whilst Provincial Governments have been given powers to extend it to those employing 10 persons and over whether these use power or not. But few Provinces have been able to make use of the powers thus conferred on them and hence all "workshops" remain outside the Factory Act due mainly to the difficulties of inspection and administration.

There can be no doubt that this steady and progressive character of legislation is superior to one based on theoretical or academic grounds. It is better to go slow and sure rather than to take a false step and then have to retrace; this specially applies to industrial legislation because of the serious consequences thereof. One such mistake is noticeable in the history of Indian factory legislation. In 1891 when woman labour was for the first time regulated, a rest interval of an hour and a half was granted mainly at the instance of the Berlin International Conference. But the arrangement could not well fit in with the conditions in India. Women preferred either a later commencement of work or an earlier departure home from the factory to a long interval of compulsory idleness. As it was they could not utilise the rest interval, which proved a hindrance. Hence

in 1911 when the Act was amended the interval was cut short by one hour and women enjoyed with men a short half hour rest. The swing of the pendulum had evidently gone too far the other side. This reveals the danger of adopting any measure, however desirable it may be on general grounds, unless it can fit in with the special circumstances of the country. There is often no question of principles involved in details of industrial legislation; it is largely one of expediency. Although the general outline of legislation is certainly international in character and consequently the experience of foreign legislation is bound to be helpful, it would be a mistake to conclude that what is desirable in one country is necessarily so in every case and must therefore be reproduced.

In India industrial legislation has been greatly influenced by English legislation for reasons that are obvious but it would be wrong to think that our legislation is a mere imitation of that of England. It has followed lines specially suited to Indian conditions. From the very beginning of factory legislation, it was recognised that India had a special problem of her own and that the climatic and social differences between the two countries were so great that any attempt to incorporate English laws in India would spell ruin to Indian industries. The danger was avoided by the good sense of the Government and others concerned. But in regard to certain questions Indian legislation went, if not ahead of English laws, at least on lines different from them. The most notable instance of departure from English principles of legislation was in regard to regulating the hours of work of adult male labour. The long and excessive hours of work in the textile mills, the certainty that the regulation of women's labour was not likely to afford relief to men, (which was the case in England) and the lack of organisation among the operatives caused the Government of India to go forward, following the precedents of continental countries. The absence of a protected class of "Young persons" is another instance where India refused to follow English practice despite great pressure brought to bear on her. Again in the Act of 1911, special provision was made for the proper lighting of factories—a feature not found in the English Act of the time. The provision for drinking water in factories is specially an Indian feature which has been introduced in England only in 1916 by an order of the Home Office. In the Workmen's

Compensation Act, the object of Indian legislation was to secure simplicity and facility in administration. With that end in view, she naturally elected to frame an Act that constituted as wide a departure as most of the American Compensation laws are from the English. What are known as schedules have been prescribed, which serve to secure definiteness and certainty whereas in England the question of the amount of compensation is left entirely to be decided by the Courts. In the matter of setting up standards of ventilation and humidification in textile factories, no attempt has been made to introduce Western standards; only after a very thorough enquiry are standards going to be set up. These examples serve to show that in spite of the great influence exerted by English experience, Indian legislation has followed, wherever necessary, lines chalked out by its own peculiar needs.

The guiding principles of Indian legislation can perhaps be stated in two simple propositions. No interference on the part of the State should be of such a character as to check industrial development or arrest its onward progress. On the other hand, the health and safety of the workers should not be jeopardised. The importance of doing nothing to prevent the growth of the Cotton, Jute and other industries was recognised from the very first and the community was prepared to secure protection to workers only in so far as protection was not inconsistent with safeguarding the interests of industries. The point is best illustrated in the recent Mines Act of 1923. The discussion that ensued in the Legislature turned mainly on the question of affording protection to women workers. As early as 1842 England prohibited by the first Mines Act the employment of women underground in the mines. It was but natural that in 1923 when the Mines Act was amended some of the Labour leaders put up a strong fight for a similar provision in India. But the Legislature disallowed it not on the ground that the proposed reform was undesirable but that it was inexpedient. If it be remembered that over 45 % of the people employed below ground in coal mining industry to-day were women, and that total prohibition of women employment by a sudden fiat of the Legislature would cause serious dislocation to one of the basic industries of the country and that it would take some years for the industry to substitute male workers in their place, perhaps the point of view

of the Legislature might be appreciated. But the need for this reform was so clear that Government have taken powers to forbid employment of women underground by special orders and it is likely that within 1930 women labour underground will be completely stopped in India.

At the same time there is a danger of over-emphasising the need for protecting the industry. The arguments against factory legislation advanced in every country by employers are of the same pattern. The cry has been that industries will be injured, if not permanently destroyed. But experience has everywhere belied such fears. On the other hand nothing acts so much as an incentive to goad the employers to effect considerable technical and other improvements in the arts of production as such legislation. The contemplated prohibition of women labour below ground has already had the effect of great labour saving appliances and machinery being introduced into the coal mining industry. We may, therefore, conclude by stating that although it is true that State action should not impair the effective development of industries in a country, the raising of the level of the conditions under which industries have to carry on their work may be a source of strength rather than weakness and legislation must avoid both the evils of excessive interference on the one hand and of insufficient and long delayed protection to the workers on the other. The point can probably be best elucidated by considering the case of sweated industries. The determination of wages was considered to be, until recently, not the domain of the State; but where it was clearly shown that in a number of trades workers were systematically exploited by long hours and low wages, and that if this exploitation undermined the efficiency of the whole nation by its reactions on others, the case for interference by the State in the interest, not merely of the exploited workers themselves, but of the general public, could not long be resisted. Thus were Wages Boards set up.

Local enquiries conducted in some urban localities have shown the existence of certain definite evils; in some factory industries such low wages are paid as are totally insufficient for even bare existence. The printing industry in the city of Madras (of which some study has been made by the writer) is a case in point. A number of "workshops" employ children of small ages and weak development

and work long hours. These point to the direction in which the State will have to move in the future; but reform is admittedly very difficult to carry out. In a country where the large majority of the rural population are in receipt of equally insufficient wages with some of the classes of industrial population, it is difficult to see how minimum wages can be introduced for one section of workers alone. The difficulties of administration render it almost impossible to bring under control 'workshops' where evils no doubt do exist.

But there is no basis for alarm that the country is adopting reforms in any undue haste at the instance of the International Labour Conferences. Every one of the new provisions of the Factory Act was demanded by the workers long before the first Conference met at Washington. Shorter hours, longer intervals, etc., were indeed the cause of some of the protracted strikes in many parts of India in 1918 and the amended Act embodied only the features that most factories had already adopted in practice. Similarly the demand for compensation on account of industrial accidents was made by workers in 1884 and the subject formed one of the subsidiary recommendations of the Factory Commission on Indian factories (1890). The maternity benefit scheme proposed by Mr. N. M. Joshi, if passed into law, will be no sudden innovation in India. Many an individual establishment has demonstrated the practicability of the scheme and the additional cost has not been high. The State will be only making it general where now it is found only in the some enlightened firms. The country cannot be accused of any undue haste if protection to Indian Trade Unions and their *bona fide* activities be granted. Five years have elapsed since the Government of India expressed their willingness to enact a measure of that kind and it speaks of the anxiety of the Government not to be over-hasty that there has been so much delay. The Government of India have always been able to put a dyke against the current of hasty legislation by their insistence on circularising Provincial Governments at every new step. This secures both delay and a favourable atmosphere for a full and detailed consideration of all issues raised. By thus placing enquiry first, the country has been able to avoid the pitfalls of ill-considered legislation and there is no reason to fear that any departure from this traditional practice will ever be made.

REVIEWS OF BOOKS

ENGLISH AND FOREIGN

State Taxation of Personal Incomes. BY ALAZADA COMSTOCK, PH. D.,
Associate Professor of Economics, Mount Holyoke College. (Columbia
University, 1921. Pp XI-224.)

During the last 15 years the attitude of the American public towards the income-tax has undergone a complete change. In 1910 the experts and the general public were very pessimistic about the future of the tax, and its elimination in those States in which it was being used appeared only a question of time. The failure of almost all the experiments, which had been tried till then, was attributed to the difficulties of administering the income-tax laws. But since 1911 the situation has been completely changed. In that year the State of Wisconsin gave the lead by passing a new income-tax law, and setting up special machinery for its administration. The movement in favour of the introduction of the income-tax has grown in strength since then, and a number of important States, besides, of course, the Federal Government, have introduced it in their fiscal systems and have found it a productive source of revenue and acceptable to the general public. In this valuable monograph the author gives a good account of this new phase of the American fiscal history, traces its development in the different States, and clearly formulates the issues which have emerged as a result of the practical experience of the working of the new measures.

The financial results of these measures are very impressive. The State of New York alone raised about \$ 37,000,000 from the operation of the income-tax in the very first year of its collection. New York is a rich State, and New York City, which yielded about two-thirds of this amount, is the industrial and financial centre of America. But the yield of the income-tax even in comparatively poor States like Wisconsin and Missouri has been considerable, and now it is admitted that the financial success of the State income-taxes is assured, and nothing can be said against them on the score of productivity.

From the point of view of the student of taxation, however, other aspects of the State income-taxes are more important and interesting. The author has taken special pains to correlate the results of the experiences of the different States and point out the lessons which can be derived therefrom. The most important conclusion to which he invites our attention is that the "success of the income-tax (to use his own words) depends more

than in the case of any other modern institution upon administrative machinery." The chief defect of the State income-tax laws before 1911 was the allotment of the work of assessment and collection to the local assessors of the property taxes. This defect has been remedied in the recent enactments, and departments, commissions, and bureaus, which are charged with the assessment and collection of the personal income-taxes, have been built up in several States since the introduction of the new measures. In the States like North Carolina, Virginia, and Missouri, which have followed the old plan of entrusting the work of assessment, etc., to the local assessors, the result has not been as remarkable as in States like Wisconsin, New York and Massachusetts which have set up centralised and specialised administrations. This conclusion has special interest for us in India as our experience of the working of the income-tax is similar in this respect, and it is believed that the success of the Income-Tax Act of 1922 will depend upon the efficiency of the new organisation created for its administration.

One unexpected result of the working of the State income-taxes in America in recent years has been that the method known as "Collection at the source" has to a certain extent been discredited. It was repeatedly said in Great Britain that the use of this device was an indispensable condition of the success of an income-tax, and any innovation, which was calculated to impair its efficiency met with keen opposition from the officials of the Board of Inland Revenue. Collection at the source has been attempted on a large scale under the Federal law of 1916, and the State of North Dakota introduced a similar provision in the law of 1919. But in the opinion of Prof. Comstock the collection at the source has failed everywhere in the United States of America, except in New York where it still remains to be adequately tested. This view is endorsed by the Committee of Model Taxation, which was appointed by the National Tax Association in 1916 and was composed of members like Professors Bullock and Adams, whose title to speak with authority on the subject cannot be questioned. In its opinion this method "presents serious administrative difficulties, imposes unwarranted burden on the third parties in respect of transactions which strictly concern the tax-payer and the government, and not infrequently tends to shift the burden of the tax to the wrong shoulders." The Committee advocates the adoption of 'information at the source' as a substitute for 'collection at the source' to prevent fraud and evasion. This is a very important development, and its future will be watched with great interest by students of the subject all over the world.

There are other problems which have come to the fore in America on account of the wider use of the State income-taxes. The problem of

the conflict between different tax jurisdictions and the consequent multiple taxation of the same income has to be faced everywhere on account of the growing mobility of labour and capital. Prof. Seligman has pointed out that in Federal States one of the conditions of its solution is an interstate agreement to pursue the same general policy in cases of the conflict of Jurisdictions. This condition, it appears from the account of the writer, has not been fulfilled as yet in America, but it is gratifying to learn that "the general trend of the State personal income-tax legislation seems to be toward taxing residents on their entire incomes and non-residents on that part of their incomes derived within the State levying the personal incomes." This is not very satisfactory, but is good as far as it goes and the fact the most of the States are adopting the same principle is a good augury for the future.

There is another development in the domain of personal taxation which is of special interest to Indian students of the subject. Under present conditions it has been found desirable to distribute a large part of the proceeds of the income-tax among the local units, (municipalities, townships, etc.,) but so far a satisfactory basis of distribution has not been discovered. The different States have adopted different principles. In Wisconsin 70% of the proceeds of the State income-tax goes to the local units, 20% to the county, and 10% to the State. In New York the net yield of the tax is equally divided between the State and the counties according to the assessed valuation of property. These plans have the advantage of simplicity, but they have given rise to a number of anomalies and their early revision is considered by the experts and the administrators. In Massachusetts, however, a different scheme has been adopted. There the local bodies are paid contributions by the State according to their educational needs, and in the opinion of a well-known student of taxation this plan is superior to the methods used in Wisconsin and New York. It is admitted that the distribution of the yield of the State income-taxes is one of the most important problems connected with the utilisation of this form of taxation, but so far it has not received the amount of attention that it deserves. Most of the writers on the subject, while admitting the necessity of the division of the yield between the different grades of authorities, do not realise that for the introduction of this measure of fiscal reform it is necessary to work out some plan which may answer the needs both of equity and administrative efficiency. The Committee on Model Taxation has suggested that the division of the proceeds of the income-tax should take place in the proportion which the State and the local expenditures bear to the State and the local expenditure combined. But the scheme has not been tried anywhere as yet, and it is doubtful whether the method

will work equally well in practice in all the States. For us the experiments are very interesting. In the readjustment of the financial relations of the central Government and the Provinces the different methods which can be utilised for the satisfactory solution of the problem will have to be considered in the light of their results in other countries with federal constitution. The United States of America has, of late, become a laboratory of fiscal experiments, and in the opinion of the talented writer of this monograph "the result, from a critical and historical point of view, is an aggregation of examples of possible income-tax methods rather than the development of an American income-tax policy". This fact is the source of a great deal of financial confusion in the United States of America, but for the financial re-organisation of other countries, it is likely to afford lessons, both negative and constructive, of great value. The practical results of the different methods of personal taxation tried in the United States of America need to be studied with very great care by all who are interested in finding a sound and abiding basis for the revision of our financial arrangements.

Prof. Comstock has also dealt with the problems of graduation, differentiation, assessment, collection and deductions. It is not possible to refer to them in detail in this review. It is now recognised that on account of the growing unity of economic life, the questions of finance present a great similarity of characteristics, which makes it necessary for the students of these questions to have a wide outlook in the handling of their problems. The study of this well written book will be helpful in understanding the different aspects of personal taxation in the American States. The readers of Prof. Seligman's books will easily trace the influence of this acknowledged authority on taxation in the conception and the execution of this work. The author gratefully acknowledges his indebtedness to this great economist in his preface, and the fact that the study of the State income-taxes has been carried on under his direction is a guarantee of its thoroughness and high quality.

GYAN CHAND.

Japan's Financial Relations with the United States. BY GYOJU ODATE,
PH.D. (Columbia University, 1922. Pp. VI—132.)

In this book the author puts in a plea for a better understanding between the bankers of the United States and Japan, for the development of banking connections and changes in the internal structure of the banking systems of the two countries to meet the requirements of the new situation. He anticipates the growing importance of Japanese-American trade, and is anxious that the facilities for financing it should be made more adequate both Amer -

can and Japan. During the war, on account of the military pre-occupation of the European countries, these countries found exceptional opportunities of developing their trade. America has, as a result thereof, acquired a financial pre-eminence which gives it an advantage over other countries. From a debtor nation it has become a creditor nation, and her surplus resources are seeking investment in foreign countries. The fact that she set her banking system in order just before the outbreak of war by the introduction of the Federal Reserve System enabled her to face the new situation with confidence and courage. Japan, on the other hand, found herself unprepared for the new contingency. The main difficulties which made it necessary to introduce radical changes in her banking system were lack of harmony between the different banking institutions, absence of a discount market and bank acceptances, embargo on the export of gold and inflation of the note issue on account of the mistaken policy of the Japanese Government. Some of these difficulties were removed by the pressure of war conditions but in the opinion of the author of this book it is necessary for Japan to follow a more comprehensive policy of banking reform. He advocates greater development of the discount market, standardisation of commercial paper, strengthening of the central bank, and its emancipation from official control. He advises American bankers to open new branches and agencies in Japan, and adopt a more forward policy in the matter of long period investment of funds. In America there is a great prejudice against foreign capital and enterprise for the removal of which he makes out a good case.

The conclusions of Mr. Odate are sound. It is desirable to remove all causes which militate against a closer co-operation between America and Japan in matters financial and industrial. But unfortunately his treatment of this difficult subject is lacking in clearness and precision. It is possible for a trained student to follow the different steps of the argument with a certain amount of effort, and see how a particular conclusion has been arrived at, but the inherent difficulties of understanding a subject dealing with currency and finance are enhanced by the manner in which the writer has treated it.

But in spite of this serious defect the book deserves to be carefully read by the students of currency and banking. The effect of war on the banking system of Japan is in some ways similar to its effect on our banking and currency system. The strain imposed on the exchange banks on account of the difficulties of finding funds for financing greatly expanded export trade led to the over-issue of paper currency, and recourse to a number of makeshift devices. That is what happened in India and the arguments urged in favour of having a centralised and co-ordinated system in Japan are equally valid for introducing thorough going changes in the system of financing trade and industry in India. In the past time and again the mistake has been

committed of fixing attention on one issue to the exclusion or neglect of all others, and the adoption of remedies, which could not carry us far enough. Another Currency Commission is going to be appointed very shortly, and it is hoped that its terms of reference will be wide enough to enable it to take all the factors of the situation into account, and recommend far-reaching changes in the existing arrangements. A study of the banking systems of America and Japan and the inter-relations will be useful for appreciating the nature of our difficulties, and finding a satisfactory solution for them.

GYAN CHAND.

REVIEWS OF BOOKS

RELATING TO INDIA

Financial Developments in Modern India. BY C. N. VAKIL, Bombay—
D. B. Taraporevala and Sons & Co., London—P. S. King & Son
Ltd., 1924. Pp. 640. Price Rs. 10.

This work is the first of a series of volumes on the Economic History of India which the author has planned. It traces the evolution of the financial system of India from 1860, the year in which the Finance Department of the Government of India was organized on modern lines, to practically the present day. It is divided into four parts. Part I describes the system of financial administration as it has obtained in India since the Reforms came into force. Parts II and III present a review of the heads of expenditure and the sources of revenue respectively. Part IV briefly sums up the last two parts and includes a discussion of some very important topics such as War Finance, Taxable Capacity, Incidence of Taxation, and the task before the Taxation Committees.

The work is an admirable one. It not only describes exhaustively the financial developments that have taken place in India during the last 60 or 70 years, but it also discusses them critically. Further it makes suggestions for the improvement of our finances. The author who is a well-known figure in our economic world comes to the task he has in hand fully equipped. He has studied widely and thought deeply. The conclusions he comes to are the natural result of this study and research. They are as follows:—The finances of India have not been and are not being governed in the best interests of the country ; the revenue is not applied in such a way as would lead to the economic development of the people. A major portion of it goes to meet the expenditure on defence, the home charges, and civil administration. Even of this expenditure a large proportion is consumed by the costly foreign agency and is not spent in the country. Result—the amount left to be spent on the nation building departments is very small. This should really be very much larger as it is this that will increase the taxable capacity of the people which is very low. As regards revenue—its defects, which are pointed out, should be removed by doing away with the inequalities in land revenue and basing it on the capacity of the landlord to pay and by introducing a system of differentiation in the income-tax and granting allowances and reliefs, etc.

The author's suggestions for improving the finances of the country deserve notice. In the Central Government he would ask for a reduction of the military expenditure and the Home charges. This along with economies in other directions will enable them to meet their budget demands and to relieve the Provincial Governments of the burden of the Provincial contributions. The Provincial Governments with the amounts of the contributions and by levying new taxes such as the entertainments tax, succession duty, and marriage duty will come into possession of ample revenue and devote their attention to the development of the nation-building departments now under them which is the crying need of India. We agree to most of these conclusions and suggestions.

We have already said that the work is an admirable one. It affords throughout highly suggestive reading. It should be in the hands of all who have the interest of their country at heart. It is a work of reference as well as a contribution to the solution of India's financial problems.

G. D. KARWAL.

The Industrial Evolution of India. BY D. R. GADGIL, HUMPHREY MILFORD, Oxford University Press, London, 1924. Pp. 242. Price Rs. 4/8.

This is an excellent outline of the economic history of India from 1860 to 1914. In it the author gives us a broad picture of our agriculture, industry and commerce during these years. He divides the half century or so that his narrative covers into three periods—1860-80, 1880-95 and 1895-1914; not because there is an inherent distinction of economic characteristics between them but because "they serve to bring out broadly the cycles of prosperity and adversity." He shows that the India of to-day is not, in any substantial respect, different from the India of 50 or 60 years ago. The economic transition that then began is not yet over. India is predominantly an agricultural country still. No doubt there has been a decline of the old handicrafts and an introduction of plantation and factory industry, but the important position that agriculture then occupied in our national economy she holds at the present moment almost unshaken. In one respect however, there has occurred a considerable change. Our trade both internal and external has been revolutionized by the development of our methods of transport.

All this means that our industrial progress in the recent past has been very slow, which has left us in a way, worse off than before; for the population has increased and with it the pressure on the soil. Nor does the future seem to be very hopeful. The difficulties that stood in our way in the past have not disappeared. Therefore in the author's own words,

"The future is not so rosy as one would like to believe. A sudden growth of industries such as took place in many European countries during the nineteenth century seems improbable. The progress will be slow." This is the inevitable conclusion to which the author comes, and, indeed, a study of our economics past and present cannot warrant any other result.

We welcome the book. It fills a void in our economic literature—a void that was due to the entire absence of a work dealing with our recent economic history. In its preparation the author has exhausted almost all the sources of information, a list of these is appended to the book and is extremely useful. We congratulate him on his work.

G. D. KARWAL.

This issue of the Journal is smaller than usual, but we are confident that its small bulk will be more than compensated for by the high quality of the articles that appear in it. We refer specially to the first article by the pen of an Economist who is not unknown to us,—Professor Myles of the University of the Punjab. We feel certain it will be read with deep interest and provoke much thought, and we also hope will be the means of stimulating further researches in this direction.

We take this opportunity to invite members to send in any items of Economic interest which they would wish to bring to the notice of the readers of the Journal at large. Our Economic problems are so many-sided and multifarious and so dispersed over the length and breadth of this great continent that it is next to impossible to keep track of them, and so any matter worthy of note will be gladly welcomed.

MANAGING EDITOR

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VILLAGE SURVEYS

BY

W. H. MORELAND.

The object of this article is to suggest methods of avoiding a defect which mars, to a greater or less extent, nearly all the attempts to make an economic Survey of an Indian village which have so far come to my notice. It is unnecessary for me to insist on the potential value of such Surveys. India possesses a wealth of statistical examinations of large tracts, and I hope she will never surrender the leadership she holds in this branch of study; but, valuable as the existing material is, it could be made much more useful if it were supplemented by detailed and intimate accounts of the economic life of individual villages. A Village Survey, is, however, not an easy task: the facts are complex, the sources of information are not readily accessible, and, as existing examples show, the tendency is to furnish estimates and conjectures instead of facts. Now the ideal Survey would contain no guessing whatever, for every statement in it would be a fact vouched by sufficient evidence, and, while this ideal is not likely to be often attained in practice, the success of each attempt must be judged primarily by the proportion of facts to guesses.

This is the weakest spot in the Surveys which I have examined. In some of them the proportion of ascertained fact is so low that the result can be treated only as an effort of the Surveyor's imagination: in others, the result can be

changed from profit to loss, or from loss to profit, merely by varying some of the conjectural estimates within the limits of probability; in scarcely any of them is the proportion of fact sufficiently high to give the result a definite objective value. Detailed scrutiny shows that this common defect originates largely in a common cause, the transitional state of economic life in Indian villages at the present day. The process which Marshall called *adæration* has progressed unequally: cash-economy is superseding the traditional grain-economy of older days, but, while in the cities the change is nearly complete, in the villages the earlier system survives to an extent which necessitates its recognition in a Survey. The difference may be expressed in popular language by saying that while cash-transactions are ordinarily adjusted to the prevailing market-prices, grain-transactions are not closely related to the markets of the moment, though they adjust themselves in course of time to established changes in normal rates. At the present day, the transactions of a village with the outside world are made mainly, or in some cases wholly, on a cash basis, but inside the village the grain-basis still persists to a varying but important extent; to evaluate grain-transactions in terms of prices to which they are not in all fact related may vitiate the Survey altogether, and in all ordinary cases will introduce an element of unreality too large to be tolerated.

To avoid these difficulties, I suggest that the two following principles should be adopted in making Village Surveys. (1) All transactions in grain or other produce should be shown separately from transactions in cash, so that the Survey will give both a cash-account and a grain-account for the village. (2) External transactions should be kept quite separate from internal; the village should be treated as an economic unit, which in fact it usually is, and the distribution of its income among individuals should be distinguished clearly from the ascertainment of the amount available for distribution,

The operation of these principles can best be shown by a concrete example, and, since none of the Surveys before me comprise enough of the essential data to be used for this purpose, I have been constrained to invent a set of figures, which I have arbitrarily simplified in order to save space and concentrate attention on essentials. As the name indicates, the village of Kahinnahinpur is Utopian in the strict sense, and will not be found on any map, but the conditions described are such as might be observed in Western Oudh. If the objection be raised that it is impossible in practice to collect data such as are given in this theoretical example, my answer is that, while the data are absolutely essential to a Survey, the question of possibility is one for experiment, and that my object is to stimulate experiment on fruitful lines. A Village Survey must in any case be tedious and difficult; it is probable that in practice some of the data will have to be guessed, but the question for determination is whether the amount of guesswork can be kept so small that even large errors in the guesses will not affect substantially the result when taken as a whole. Here is the skeleton of such a Survey, arranged under three heads, (1) Description, (2) Cash Account, (3) Grain Account.

1.—DESCRIPTION.

General.—Kahinnahinpur is a purely agricultural village, economically dependent on the neighbouring town of Karibganj, which contains a post office, railway station, shops, grain dealers, money-lenders, and a cotton-gin, but is not a large manufacturing centre.

Tenures.—(a) The village is owned by a single landholder, who lives in Karibganj, and transacts his own business; he takes no produce from the village, and his annual cash demand for rent, cesses, and perquisites amounts to Rs. 700.

(b) There are 20 cultivators, all paying cash rent; no special tenures exist; some land is held by labourers, artisans

and menials. All cultivation is done by residents, and no resident holds land outside the village.

Population.—There are 30 houses, each containing 5 souls, *viz.*, 20 cultivators, 1 priest, 5 labourers, 2 artisans and 2 menials: total 150 souls.

Holdings.—Two cultivators, each with 2 ploughs, hold 10 acres each, and 18 cultivators hold 5 acres each: total, 110 acres. In addition 20 acres are held by the labourers, artisans, etc.: none of them has a plough-team, and they get the use of cultivators' teams by arrangement in connection with service or as a favour. Total holdings area is thus 130 acres with 22 ploughs, giving an average plough duty of almost 6 acres. Sufficient wells exist to irrigate the ordinary proportion of the crops.

Area.—Holdings 130 acres, yielding Rs. 700 to landholder.

Mango groves . .	5	„	„	no cash income.
Uncultivated . .	65	„	„	„ „

Mangoes are not sold outside the village, nor is any produce sold from the uncultivated land; the wood, thatching-grass, etc., is utilised by the residents.

Crops.—This year there was no fallow, and 15 acres were twice cropped. The land was cropped as follows:

<i>Kharif.</i>		<i>Rabi.</i>	
Cotton . .	.. 20 acres.	Wheat	.. 30 acres.
Millets & pulses	.. 50 „	Barley, gram,	
Garden . .	.. 5 „	peas	.. 35 „
		Garden	.. 5 „

Resources.—The village sells all the cotton, and most of the wheat; consumes the rest of the foodcrops, and also the fruit and garden produce.

Oilseeds (grown in lines and borders) are pressed in Karibganj; the presser keeps the cake, and returns the oil,

which is consumed in the village.

Cash income, apart from sales of produce, consists of (a) Rs. 100 from Government in pay and pension; (b) money-orders from members of the village in service elsewhere; (c) casual earnings of labourers in Karibganj. There may also be a small, and variable, income from sale of dung-cakes outside the village, which is ignored in the account.

Note to Description.—So far, there should be no difficulty in arriving at facts, and there is no room for guessing, but of course in actual work things will be more complicated: families will not be uniform, holdings will vary in size, cropping will be more diversified, and the amount of detail to be recorded will be greater than in this simplified example.

2.—CASH ACCOUNT.

The following account summarises all the cash transactions between residents of the village and the rest of the world during the year to which the Survey relates, but excludes all cash transactions between residents.

<i>Receipts.</i>		<i>Payments.</i>	
	Rs.		Rs.
Sale of cotton	.. 750	Rent, etc.	 700
Sale of wheat	.. 1,000	Purchases	 600
Pay and pension	.. 100	Litigation fees, etc.	 50
Money-orders paid	.. 50	Journeys	 75
Outside labour	.. 50	Mendicants, and petty sums	 25
		Cattle account (net)	 100
Total	. Rs. 1,950	Loan account (net)	 300
		Surplus: cash absorbed	 100
		Total	.. Rs. 1,950

All these figures are intended to represent actual transactions; the question whether this is possible in practice is, as has been said, one for experiment. It must be remembered that there are two parties to every transaction, and the ideal procedure is to get the facts from both payers and

payees, but it may be necessary in some cases to accept the statement of one party only.

Receipts.—It ought to be possible to ascertain the sums paid, or credited, by the cotton-gin and the grain-dealers : if this cannot be done, the Survey must be abandoned, because these items are too important to be guessed. Of the other items, pay and pension should present no difficulties, and probably the aggregate of money-orders disbursed in the village can be ascertained. Earnings of labourers who have got work at the cotton-gin or the railway station during the busy season can be known by a resident who keeps his eyes open, and watches the rates paid by commercial employers ; in the case given, even a large proportionate error in this item would not matter very much, but in villages where a large part of the population goes regularly to work outside, the difficulty may be serious, and in early attempts such villages should be avoided.

In actual work it will of course be necessary to watch for sources of income other than those shown in the account, which is illustrative only.

Payments—present more difficult problems than receipts. Rent collections can be ascertained, and the smaller item (litigation, journeys, etc.) can probably be approximated without very serious error. Purchases, on the other hand, present a serious difficulty, which the Surveyor can hope to overcome only by the exercise of patience and tact. Fortunately, the larger items are seasonal, and most of the expenditure on clothes, cooking-pots, etc., can be observed in the course of a few weeks in the year ; but the item as a whole is one to tax the Surveyor's capacity. In practice the articles bought should be classified in some detail, and knowledge of needs should be used to test the facts recorded ; if, for instance, a family is shown to have bought no salt for six months, the record is probably incomplete.

Cattle account.—It is possible, though perhaps not easy,

to get the sums actually paid for cattle bought, and received for cattle sold, outside the village; the actuals should, in practice, be shown on both sides of the account, in place of the net entry I have made for the sake of conciseness.

Loan account.—The figures for interest paid, and for capital borrowed and paid off, are also for conciseness shown net in the example. How far the facts can be ascertained is a question for experiment, but they are quite indispensable in any sort of a Survey. In the example I have worked on a hypothetical aggregate of Rs. 2,000 external debt at 15%, and have assumed that the capital is unchanged, and the interest paid in full, but the facts will rarely be so simple.

Surplus.—This figure is calculated from the other items, and is of course, affected by any error which they may contain. Taking the example as substantially accurate, the figures would indicate that during this year the village, as a unit, just about paid its way. Rent and interest were discharged, but there was no reduction in debt, while the sum spent on cattle was barely sufficient to maintain the stock; the absorption may therefore be regarded mainly as the equivalent of what an enlightened economic community might be expected to set aside for insurance and depreciation of its live-stock.

It should be borne in mind that, if any sales or purchases of jewellery have been recorded, the net figure should be taken into account along with the cash-absorption, in order to reach an opinion on the question whether the village has made or lost money during the year. It is, however, doubtful whether the facts regarding these transactions can be ascertained with precision; more probably, an absorption shown in the account will consist partly of cash laid away and partly of jewellery bought privately, while an apparent adverse balance may have been liquidated partly from cash in hand and partly by sales of jewellery.

3.—GRAIN ACCOUNT.

We now turn to the principal source of income, the grain which is produced and consumed in the village without passing through the market. Its ascertainment will ordinarily be difficult, and, if it proves impracticable, the Survey must be abandoned, since the item is much too important to be guessed. As a matter of fact the produce is as a rule weighed, either on the threshing-floor or in the house, but strangers are not wanted at weighing-time, because of the age-old tradition that the cultivator's chief stronghold is the ignorance of the outside world regarding the amount of his income. Mainly for this reason, estimates of yield based on conventional standards are quite useless as a foundation of the Survey, though they may help the Surveyor to judge whether the figures he has collected are near the truth.

For the purposes of this example, I have assumed moderately good yields, what would be called a 13 or 14 anna crop in the locality in question (where a satisfactory yield is put at 16 annas). Deducting the wheat sent to market and already accounted for, the village would have about 920 maunds for disposal on this estimate. None of this would go outside the village, except the usual dues for the (non-resident) patwari, which I put at the round figure of 5 maunds while 100 maunds must be set aside for seed, leaving 815 maunds for a year's consumption, on the assumption that no grain has been imported. This gives an average of 27·16 maunds per house of 5 souls.

Now it is a well-ascertained fact that one ton (27·2 maunds) of mixed food-grains in the raw state is sufficient for a house of 5 souls in the region, not indeed sufficient for maximum efficiency, but sufficient to maintain the existing standard of diet. The village has thus retained just enough food to keep itself going. In addition, it has had the produce of the mango groves and the garden-cultivation: it would be hopeless, I think, to attempt to record the quantity of these

adjuncts, while it would be misleading to value them in cash, and it is in practice sufficient to bear them in mind as a supplement to the main food-supply, which can possibly be ascertained with precision.

The recorded sufficiency of food does not, of course, imply that every house has always had enough. Some houses may have been eating more than the standard, or giving grain to their cattle, while others have been on short commons, but this is a matter of internal economy, to be treated separately. The point so far reached is that the village as a whole just about maintained its position during the year to which the Survey relates. To find out whether it is on the up grade or the down would require a much more extensive views. I fear it will usually be quite impracticable to ascertain the most important figures of all, the grain income of past years, and without these figures no precise conclusions can be reached. Fluctuations in the aggregate loan account would be of great value if they could be ascertained, and in some cases this may prove to be possible ; in others, reliance must be placed mainly on the crop-statement for, say, 10 years, which is usually available, and on the records of rent-collections for a similar period in villages where the figures can be trusted ; but, speaking generally, a Surveyor whose work extends over only a single year cannot hope to get adequate quantitative data for a longer period, and it would be unwise for him to attempt too much. If he can produce a set of trustworthy figures, similar to those in the hypothetical example, he will have accomplished a thoroughly useful and enlightening piece of work ; and even a small number of such Surveys would be of great value as supplementing the statistical record for an extensive agricultural tract. If he wishes to go further than this, he may turn his attention to the internal economy of the village.

4.—INTERNAL ECONOMY

The only effective way of studying the internal economy of the village is by collecting the accounts of as many families as possible. This procedure is usually described under the term Family Budgets : the word ' budget ' is unfortunate, because it suggests estimates, when we want the actual facts of income and expenditure, but it has become established in economic terminology, and the procedure is too familiar to require detailed explanation. In Indian villages, however, two principles must be definitely recognised.

(1) Seasonal fluctuations are relatively so large that the budget must cover at least a complete year : as various published Surveys show, sample budgets for a week or a month may be very seriously misleading.

(2) For reasons already given, the grain-account must be shown separately from the cash ; when a family exchanges grain for cash, or cash for grain, the terms of the actual transaction must be shown.

If these principles are adhered to, I believe the attempt to collect family budgets for both labourers and cultivators is well worth while, but the work will be often difficult and always tedious. Its value depends largely on quantity ; the budget of a single family counts for very little, but half a dozen budgets from one village may be very useful. Some students have attempted to evade this condition by selecting beforehand what they believe to be a typical family ; it is an ingenious dodge, but it is quite inadmissible, because you must know practically all the facts before you can say whether a family is typical or not, and the choice of types must come last, not first.

In the case of labourers, the main difficulty is to get a complete account of the family income, which may comprise, in addition to wages, many items of varying amount, accruing at irregular intervals, and very apt to be overlooked. I

may give one instance, which is by no means so uncommon as it may sound.

A Pasi regards himself as the servant of a Rajput cultivator, not a whole-time servant, but bound to work for his master whenever he is wanted, and free to work for others at other times. His income for the year may consist of the following items: (1) a rupee monthly, paid irregularly: (2) a ration of grain and tobacco (varying with the work) on the days when he works for his master: (3) a share of the grain heap at harvest: (4) some clothes, or a blanket, at Dasehra, and presents on some ceremonial occasions: (5) straw for thatching his hut: (6) the use of his master's plough for a field which he cultivates in spare time: (7) the produce of his field: (8) wages when working for other masters, sometimes in the village and sometimes outside.

Such survivals of the servile regime are probably still common, as they certainly were 20 years ago, and they make the task of ascertaining the annual income very tedious. The annual expenditure in such cases is also hard to get at, because the family probably lives from hand to mouth, making purchases by the pice, consuming the grain as received, and eating less when there is less to eat, while the balance of the budget may be entirely upset by concealment of disreputable items, such as receipts from an illicit still, which a stranger is not likely to hear of.

The budget of an ordinary cultivator presents less difficulties on the whole, provided his produce can be accurately ascertained. The wife if not the husband, probably knows to a few seers where the produce has gone, what has been sold, and how the money has been spent, what has been eaten, devoted to charity or entertainments, paid in wages, and so on: but whether he, or she, will disclose the facts is a question which can be determined only by experiment. There are, however, two special difficulties, one concerning loans, the other concerning stock. Private loans of grain

are common in cases where one family has something in hand, and another family is short : they range according to circumstances from friendly transactions to utterly unconscionable bargains, but in my experience it is unusual to speak of them to strangers, and the want of information regarding them may falsify whole budgets. It is more unusual still to speak of the stock of grain which every cultivator hopes to carry, and which many succeed in carrying, the ideal being that grain-jars should not be empty when the new produce comes in. Their actual condition, is, however, a secret to be jealously guarded, and probably changes in stock, like the absorption of cash already mentioned, must be reached by balancing the account.

5.—CONCLUSION

This Paper is in fact a plea for experiment. The Village Surveys already published furnish mainly warnings rather than examples, and my suggestions are based largely on the experience which they have provided. I have discussed them with various authorities familiar with Indian university education, and the following points have emerged.

(1) The distinction between contributions to knowledge and individual education must be borne in mind. Many Surveys attempted on the lines I have indicated would prove failures in the sense that they would give nothing worth publishing, but, assuming effective criticism from his teachers, the Surveyor would benefit greatly by his failure.

(2) At first the villages should be selected primarily for simplicity. Even the arbitrarily simplified example I have given contains quite enough difficulties to test a student's powers to the utmost.

(3) This consideration furnishes a warning against attempts to do the work in term-time, because the suburban villages accessible from an ordinary college have an exceptionally complicated economic life.

(4) For students who are to attempt a Survey, work in term should consist rather of a progressive preliminary training, ranging from the outlines of village mentality, through tenures, land records, estate-accountancy, markets, and household accounts, to such details as the diversity of local weights and measures.

(5) The suburban villages can in some cases be used with advantage as part of this training, because, while they are usually too complicated for a complete survey, there are many details which can be studied separately. A study of poultry-raising, milk-selling, strawberry-growing, and so on, carried out under the eye of a competent teacher, would pave the way for a Survey, and quite possibly yield results worth publishing.

(6) The actual Survey of a village should be attempted when the student is in a position to spend enough time on the spot, especially during the two harvests, when the bulk of the year's income is being realised, and sales and purchases are at the maximum.

(7) A student who is already connected with a village, and on friendly terms with the inhabitants, will start with very great advantages over a stranger coming to the village for the first time, but the decisive factors will be the good sense, tact, and patience of the Surveyor.

THE RELATION OF HOUSE-RENT TO INCOME

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The rapid growth of population in the principal industrial and commercial towns and the consequent growing demand of land for house accommodation and various other purposes has led to an enormous increase in land values. This increasing demand has accordingly been met to a large extent by crowding together buildings and by piling on one storey after another. In towns every available space is being utilised for building purposes without any regard to the free passage of air and light and we accordingly meet with both congestion and congested housing. In other words not only too many men live in each house but too many houses are crammed together in a limited space. The bigger cities like Bombay and Calcutta are slowly giving place to regular lines of two, three and four storied flats and tenement houses in place of the ordinary detached dwelling houses so common in country places and smaller towns. The stuffy atmosphere of the rooms in such places coupled with the dreary and congested surroundings and insufficient sanitary and other conveniences render them altogether unfit for human habitation. While it cannot be gainsaid that Municipal and local Governments are responsible for a large part of the dirt and squalor and disordered growth of a town high rents and low wages play no mean part. Thus it will be clear that high rents are not only a direct hardship upon the small wage earners, in so far as they take away a good part of their income, but indirectly leave a most disastrous effect upon their health and well-being.

In Bombay for example an ordinary unskilled labourer earns Rs. 20 to Rs. 25 per mensem in a cotton factory. He has to pay Rs. 4 to Rs. 7-8 per mensem for a dark ill-

ventilated room hardly 10 feet by 10 feet if he is lucky enough to get one by tipping the Bania or through the intercession of some resident friends or relatives in an old private chawl where rents cannot be increased on account of the Rent Restriction Act of 1916; but if he is not so fortunate as that he will have to pay Rs. 10-8 to Rs. 13-8 per mensem for a room only slightly better in one of the Development Directorate chawls. Here he meets with the first shock of his life when he finds that twenty to fifty per cent of his income is in danger of being swallowed up by house-rent alone, an item on which he had been used to spend practically nothing in his village home. He soon finds that the money wages with which he was lured into the city mean much less comfort than he imagined. He tries to make the best of a bad bargain and resigns himself to his fate in characteristic Indian fashion. He arranges for his board with one of his relatives or friends on Rs. 10 to Rs. 12 per mensem, keeps his few belongings in a corner in his friend's room and passes the night away in the verandah and more often in the open. In Bombay at least 70 to 80 thousand labourers belonging to the U. P., and the Punjabis are living more or less under similar conditions. The characteristic inefficiency and the migratory nature of Indian labour is thus largely attributable to the housing and insanitary conditions of our towns.

It might freely be admitted here that an average mill-hand in India does not actually spend as high a proportion of his income on house-rent as the mill-hand in England, Germany, France or the U. S. of America does. But it cannot be said that house accommodation is cheap in the bigger Indian cities. In fact the rent for a house in Bombay with as good accommodation and comforts as an ordinary labourer possesses in England or America is not appreciably lower in spite of the advantages of sunshine and warmth. The fact is, however, explained by the extremely low

standard of living and other necessities of existence of our labourers, and their contentment with conditions, which would be altogether revolting to an outsider in similar circumstances. It is true that the Indian labourer is hardly half as efficient as his English or American contemporary, but situated as he is and the conditions and environment with which he has to put up with this is not at all strange. In qualities of perseverance and quiet suffering the Indian is remarkably strong and it is, therefore, no wonder that he lives year after year in places and surroundings where another would revolt. Dr. Mukerjee speaking of conditions in the Bengal Coal Mines says that 'the operatives live in filthy and dingy huts where manhood is brutalised, womanhood dishonoured and childhood poisoned at the very source.' Is it strange that under these conditions both the physical and mental life of the workers are found at their lowest ebb?

To come to the houses and chawls where millhands actually live we find that in Bombay there are usually 2, 3, and 4 storied buildings honey-combed with single room units either placed back to back or separated by a closed narrow gully, some times only 2 or 3 feet wide. The rooms and the passages are often pitch-dark so that not infrequently during our enquiries we had to take the help of a lamp or a match-stick to find our way in and out. These blocks or chawls as they are called are built in rows both parallel to each other and at right angles and are separated by gullies only 3 to 10 feet wide, which are usually traversed by an open drain. Thus air and light—the two great healing forces which nature supplies gratis—are effectively blocked out.

In fact some of these quarters may well be compared to steep mountains interspersed with deep valleys. The rooms themselves have very little by way of windows or ventilators and the few apertures, which exist are more often than not hung over with sacks or paper. The buildings are as a rule built with pucca brick and mortar, but the floor is

generally *kachcha*, while the partition walls and frequently even the upper roofs and outer walls are made of corrugated sheets of iron. The size of the rooms varies from 8 feet by 8 feet to 10 feet by 10 feet and the rent Rs. from 3-8 to Rs. 7-8. The slums of Glasgow, Liverpool, Dundee, London, etc., about which we hear so much in papers and official publications and which are steadily being cleared at great expense, are commonly but two stories in height, and all are provided with an incomparably better street system and sanitary conveniences than we find anywhere in the poorer quarters in Bombay. Rightly has it been remarked in the Census of India Report 1921 that conditions in Bombay are far worse than those in London.* The Improvement Trust and the Development Directorate chawls differ from these only in the size of the rooms, which varies from 10 ft. by 12 ft. to 10 ft. by 15 ft. Usually a small partition wall separates a portion 4 ft. by 10 ft. for the oven and the *Nahany* (sink for water). Unlike the private chawls these are made entirely of brick and cement or reinforced concrete, three stories high. The rooms face each other on a common verandah about 8 ft. wide, while the distance between two blocks varies from 12 ft. to 36 ft. For these improvements the tenants are required to pay a prohibitive rent varying from Rs. 10-8 to Rs. 17-8 per mensem. Over and above these standard types there are quite a number of tin chawls and dirty *basis*, where the millhands hire an abominable unsightly 'room' varying from 6 ft. by 8 ft. to 8 ft. by 8 ft. in size on Rs. 2 to Rs. 4 per mensem.

The unskilled labourers who form a majority of the millhands earn from Rs. 20 to Rs. 30 per mensem and the skilled labourers from Rs. 25 to Rs. 80, and some times even Rs. 100 per mensem. The statistics of prices and wages published by the Government of India show that the wages in 1922 varied from Rs. 8 to Rs. 25 per mensem for unskilled

* Census of India, 1921—Martin, p. 77.

labourers and from Rs. 25 to Rs. 60 for skilled labourers in the Manickjee Petit Cotton Mills in Bombay.

According to the Bombay Labour Office Enquiry into wages and cost of living of workmen in Bombay published by G. Findley Shirras in 1924, 97 per cent of the working class families live in one room tenements, and 51·5% of the 2,408 single room tenements from which statistics were collected were rented within Rs. 3-8 and Rs. 5-8 per mensem. Municipal records of the same date which refer to 9,703 single room tenements corroborate the same. The enquiry showed that the rents charged by the Improvement Trust, the Municipality and the Port Trust were lower than those in the private chawls. This is however due to the fact that the family budgets refer almost entirely to buildings occupied before 1st January 1916, the date on which the Rent Restriction Act came in force. It has been worked out that on an average house-rent forms 7·7% of the income of a working class family. The class of labour which earns below Rs. 30 and from Rs. 30 to Rs. 40 per mensem, however, forms only 2·7 and 11% respectively of the total families investigated. The former class, according to the report, excluding scavengers (who get a favoured rate from the Municipality) spend 10·9% of their income on house-rent. It is, however, inexplicable how the Labour Office could find out this average when a careful scrutiny of the results of the enquiry shows that it did not collect any statistics of house-rent from that class of labourers other than scavengers. The following table gives the percentage expenditure on house-rent by income groups :—

Income classes of families.	FAMILIES INVESTIGATED.		AVERAGE EXPENDITURE ON HOUSE-RENT.	
	Total No.	Per cent.	Actual Rs.	Percentage.
Below Rs. 30 p. m. excluding scavengers ..	68	2'7	Rs. a. p. 2 2 5	10'9
Including scavengers ..	..	..	..	7'5
Rs. 30 to 40 ..	272	11'0	2 15 7	8'6
„ 40 to 50 ..	834	33'7	3 0 5	7'3
„ 50 to 60 ..	539	21'8	4 1 2	8'3
„ 60 to 70 ..	484	19'6	4 1 9	7'4
„ 70 to 80 ..	167	6 8	4 15 9	7'6
„ 80 to 90 ..	70	2'8	5 12 5	8'0
Over Rs. 90 ..	39	1'6	6 6 0	7'5
All incomes ..	2,473	100'0	3 11 3	7'7

N. B.—An average family consists of 4'2 members of whom 1'54 are wage-earners, *i. e.*, 1'04 man, '42 women and '08 boys or girls.

The figures and averages given above suffer from two serious defects ; firstly the number and proportion of families earning below Rs. 30 is very small, both as compared to their relative importance and numerical strength. Out of a total number of 155,891 * labourers engaged in the Temple mills in Bombay no less than 79,059 are unskilled labourers most of whom are earning less than Rs. 30 a month among their family. Secondly the figures do not relate to new buildings and refer almost entirely to buildings occupied before 1916, *i. e.*, before the passage of the Rent Restriction Act. Moreover the enquiry has not emphasised sufficiently the evil of keeping lodgers and sharing a single room by more than one family on account of the high rents. The following table which gives the percentage expenditure on house-rents incurred by single men of different income-groups would make the point clear.

* Bombay Tenement Census Table of occupations—Vol. IX, Part II.

Income classes of single men.	PERSONS INQUIRED.		% expenditure on house-rent.	Average monthly income.
	No.	percentage.		
Below Rs. 30 ..	69	..	3'1	Rs. a. p. 25 14 7
Rs. 30 to 40 ..	167	..	7'8	34 6 3
„ 40 to 50 ..	207	..	7'5	42 9 5
„ 50 to 60 ..	65	..	7'5	53 14 11
„ 60 to 70 ..	58	..	7'3	63 0 3
70 to 80 ..	27	..	7'1	73 5 4
„ 80 and over ..	10	..	7'2	89 6 5
All incomes ..	603	100	7 2	43 10 3

N.B.—It has been calculated that on an average these people spend 13/7 annas per mensem on conveyance to and from the works.

The small percentage of their income, which single men earning less than Rs. 30 spend on house-rent can only be explained by the fact that most of them share a room with four to six other people. In fact we found during our enquiries some single roomed tenements of the size 10 ft. by 14 ft. occupied by no less than 15 adults each.

Another enquiry into working class rents in Bombay undertaken by the Labour Office gives more up to date information and clearly shows the effect of the Rent Restriction Act on the rents of old and new tenements. According to this enquiry, which extended over 8,548 sampled one roomed working class tenements in old buildings and 1,475 one roomed working class tenements in new buildings, *i.e.*, those constructed after 1st January, 1916 under the Rent Restriction Act, the average rent in 1923-24 in tenements in old buildings was Rs. 5-0-2 and in the new Rs. 10 to Rs. 16 per mensem. This represents an increase of 31'2 per cent over the 1914-15 rentals in the old buildings and of 262'6 per cent over the theoretical rentals in 1914-15 in the new buildings.

The following figures indicate the results of the enquiry.

RENTS OF WORKING CLASS ONE ROOMED TENEMENTS (OLD BUILDINGS).

Wards.	No. of sampled tenements.	AVERAGE MONTHLY RENT PAID IN		Percentage increase.
		1914-15.	1923-24.	
		Rs. a. p.	Rs. a. p.	
A.	526	5 6 2	7 2 8	+33'1
B.	430	5 10 11	6 14 0	+21'0
C.	408	5 2 10	6 13 9	+32'5
D.	416	5 7 9	6 11 10	+22'9
E.	2,373	3 13 10	5 1 7	+31'9
F.	2,064	3 3 11	4 3 3	+29'5
G.	2,331	3 0 9	4 2 8	+36'8
All Wards. 8,548		3 13 1	5 0 2	+31'2

If we take into consideration the fact that there has been very little increase in real wages since 1916 and also that the little increase that they got in 1918-20 has since been brought down we shall be justified in increasing the actual rents as given in the enquiry into family budgets by at least 30%, which will send up the percentage of house-rent to income considerably over 11 in the income group earning below Rs. 30 per mensem. But as has been indicated before the actual percentage of income, which goes to house-rent is not as important as the percentage, which would go if the labourer were to live with any decency. As it is, if the ordinary labourer were to rent a full room for himself and his family in one of the worst chawls in the old buildings of the city he will have to spend at least Rs. 4 p.m., which would come to about 15 to 20% of his income, and if he were to rent a room in the new building which do not come under the purview of the Rent Act, he will have to pay at least Rs. 10-8 per mensem or 40 to 50% of his monthly income for house-rent alone. If we remember also the fact that the private chawls referred to above are altogether unfit for human habitation,

and that no person with any sense of humanity in him would wish a human being to live in such places for a single day, the grim realities of the situation become evident.

Passing on to Ahmedabad we are confronted with the same deplorable state of affairs. The chawl system is common here as in Bombay with the difference that the Ahmedabad chawls are seldom made of brick and mortar. The floor is almost universally *kachcha* and the walls are also made of half-baked bricks and mud. They present a most unsightly appearance and are living embodiments of dirt and disease. The over-crowding of houses and inmates is almost as bad as in Bombay except that we do not find here the two, three and four storied buildings, which are a common feature of Bombay. This is, however, neutralized by the fact that chawls in Ahmedabad are very often indifferently thatched and in ill-repair. They are generally surrounded by dirt, stinking water and night-soil, for the want of sufficient number of latrines and the laxity of Municipal discipline encourage the people, especially women and children to ease themselves in the streets. As in Bombay so here there is hardly one latrine for every 50 residents and one water-tap for every 50 families. The rooms, moreover, are very dingy and are frequently partitioned merely with tin, sack-cloth or matting. Many of the chawls are built altogether underground while the thatch of others is hardly 4 ft. above the level of the street. More than 75 per cent of the chawls have absolutely no plinth. The rents for these dens 8 ft. by 8 ft. vary from Rs. 2-8 to Rs. 5-8 per mensem. A few hundred tin boxes 5 ft. high and some other similar mud huts are rented at Rs. 1-8 to Rs. 2 for millhands. Wages for unskilled labourers vary from Rs. 18 to Rs. 22 per mensem.

There seems to be absolutely no excuse for such conditions in Ahmedabad where there is no dearth of space; in fact in the *paras* land can be had for the asking. Moreover the cost of building in Ahmedabad is not half as high as in

Bombay, and it is accordingly possible for employers and local bodies to build sanitary dwelling houses at a moderate cost which will pay a small interest on their outlay. The mill-owners are generally very rich, and have been making high profits at the expense of the poor labourers. They could do much to improve the conditions of the poor labourers, if they like to raise their little finger. But they have so far been criminally neglectful of all their duties towards them. Big factory owners and other employers of labour in England and America have done much to improve the lot of their employees in the way of providing them with cheap recreations and amusements; while examples of industrial magnates spending the accumulated wealth of years on garden cities and model villages for their operatives are increasing every day. Even in Bombay, Madras, Sholapur, Cawnpore, Jamshedpur and Nagpur millowners have been doing their bit in the way of welfare work. In the last two specially, the Tatas have been doing commendable humanitarian work. It is a pity that the Ahmedabad mill-owners, in spite of huge accumulated riches, have done practically nothing for those, who made all those riches possible.

A detailed study of 7,407 working class tenements, *i. e.*, 35% of the total number of one roomed tenements showed that 79% of the total number of tenements examined were altogether insanitary and 75% had neither any plinth nor ventilation of any kind. The details of house-rent given below will show that the most predominant rent for working class tenements is Rs. 4 to Rs. 6 per mensem while not a small number are rented on Rs. 7 to Rs. 8 per mensem.

NO. OF TENEMENTS WITH RENT PER MONTH.

Wards.	Below Re. 1 @	Re. 1 to 2.	Rs. 2 to 3.	Rs. 3 to 4.	Rs. 4 to 5.	Rs. 5 to 6.	Rs. 6 to 7.	Rs. 7 & over.	Total.
Khadia ..	20	2	15	10	00	00	00	0	47
Kalupur ..	0	0	42	59	130	41	20	64	356
Dariapur ..	1	29	38	28	57	41	0	14	208
Shahpur ..	0	76	165	142	107	12	5	78	585
Jamalpur ..	0	37	53	195	283	94	0	18	679
Raikhad ..	0	63	25	38	148	59	50	19	402
Paras* ..	395	74	471	920	1,230	1,219	714	217	5,130
Total ..	316	281	807	1,391	1,955	1,466	789	400	7,407

@ This represents only the ground rent. Superstructures in the case of tenements of this class is made by the tenants themselves.

* Paras or suburbs are parts of the city which are outside the city wall, though within the municipal boundary. Most of the factories and the working class chawls are situated in this ward.

Thus on an average $\frac{1}{4}$ th to $\frac{1}{6}$ th of the unskilled labourers' income goes for house-rent. Individual family budgets, which we collected and the house to house enquiries which we made in Ahmedabad also show that in a majority of cases 20 per cent of the family income goes to house-rent. This brings our rough estimate of the actual percentage expenditure on house-rent in Bombay more or less in harmony with the proportion in Ahmedabad.

In Ahmedabad there is very little difference between the houses of the skilled and the unskilled labourers. Accordingly the former generally spend a much smaller percentage of their income on house-rents.

Coming to Nagpur we meet with a very different state of affairs. Nagpur is more a collection of outgrown villages than a city in the modern sense of the term. Almost all the *mohallas* except the few central bazaars have retained their

rural characteristics up to the present time. People generally live in clusters of mud huts two to three miles away from their work. Cottages rather than courtyard houses are the type found in these labour *bastis*. Each cottage has a small compound hedged round with vegetable creepers and other plants which impart to it the natural beauty so characteristic of the Indian village home, except during the rains when the whole *basti* becomes a big pool of mud and water through which the residents have actually to wade their way. There is generally no drainage system and the few open drains which are casually dug out by the residents serve merely to collect dirty water, which stagnates for want of a proper outlet. There are no latrines and people have to ease themselves in the open fields. Light and conservancy arrangements are entirely absent. The cottages are owned by residents themselves, who live with their families. Rent is practically unknown. This, however does not mean that they get these huts free of charge. The custom here is to rent a small piece of land 40 to 60 ft. square on Rs. 1-8 to Rs. 6 per annum as ground rent and to build their own huts, for which they borrow money on exorbitant rates of interest. The ground rent varies more with the proximity of the land to the mills than with its actual size. An average hut costs about Rs. 50 to Rs. 100 over and above his personal labour and lasts for about two years. But this is no standard for we have seen some huts, which could not have cost more than Rs. 20 and others, occupied by the superior artisans, which cost them Rs. 200 to Rs. 300. A majority of the huts, however, cost about Rs. 80, and probably the average will also work out near that amount. It may here be mentioned that this is exactly equal to the amount which has been calculated by the Empress Mills for the construction of an ordinary workman's hut in Nagpur. The rates of interest at which the labourers borrow money for these huts varies from 40 to 75%. Thus the labourer has to pay Rs. 5

to Rs. 6 per mensem to the money-lender in order to pay the interest and a part of the principal to free himself from the debt within 20 to 24 months. Individual enquiries showed that they actually pay Rs. 4 to Rs. 10 per mensem for the same. If a labourer is unable to pay this recurring amount, as is very often the case, he has to take another loan on similar conditions and the poor man is thus never the master of his house.

The ordinary wages of unskilled adult labourers in Nagpur vary from Rs. 14 to Rs. 20 per mensem. The skilled labourers earn Rs. 22 to anything up to Rs. 77 per mensem. The average wage of an unskilled labourer is therefore Rs. 66 and that of a skilled one Rs. 40 ; and if we add * Rs. 8 and Rs. 20 respectively to these wages as the average amount added by the women and half-timers to the family income, the representative family incomes come to Rs. 24 in the case of unskilled labourers and Rs. 60 in the case of skilled workmen or artisans. The average monthly amount that they have to pay to the money-lender roughly approximates to Rs. 5.8 and Rs. 8 respectively. Therefore the percentage of income spent on house-rent by a family of unskilled labourer in Nagpur theoretically approximates to 22 and in the case of an artisan family to 13.3.

In Cawnpore house-rents are comparatively low. Most of the mills have provided houses for their employees. The Cawnpore Woollen Mills, the Cotton Mills and the Cooper Allen & Co., Boot and Army Equipment Factory—all owned by the British India Corporation, have each constructed a large number of quarters for their workmen and superior employees.

* We have pointed out before that an average family consists of 4.2 persons of whom 1.56 are wage earners.

THE FOLLOWING TABLE GIVES THE ACTUAL NUMBER OF TENEMENTS PROVIDED BY THE PRINCIPAL FACTORIES IN CAWNPORE TOGETHER WITH OTHER PARTICULARS:—

Name of factory and settlements.	No. of person employed.	NO. OF TENEMENTS PROVIDED.		Population of tenements.	Size and monthly rent of 1 room tenements.
		1 Room	Larger		
The Cawnpore Woollen Mills (McRobertgunj)	3,232	655	146	2,909	10'x 12' with verandah 7½' wide—Rent Rs. 14.
Cooper Allen & Co., (Allengunj)	3,256	880	51	2,688	10'x 7' and 8'x 10' with verandah 5' wide--Rent Rs. 1-2.
Cotton & Kakomi mills (Juhi)	2,661	318	..	252	8½'x 9½' with verandah 3½'—Rent Rs. 1-8.
Elgin Mills	2,606	131	35	162	Rent Rs. 1-2.
Sugar Works Indian	397	168	..	272	Free.
Union Indian Sugar Mills	395	191	5	359	Free.

Almost all the mills are situated outside the city where land is abundant and cheap, and accordingly an upper floor is considered to be more a luxury than a necessity. But the one roomed tenement is the standard of the workman's dwelling here as in Bombay and Ahmedabad. Rooms are built in barracks or in parallel and horizontal rows with a long front verandah four to seven feet wide. The size of the rooms varies from seven by ten feet in Allengunj to ten by twelve feet in McRobertgunj (Lal Imli Settlements). Generally the rooms are built in single rows but back to back rooms are not rare. There is practically no ventilation in the rooms and they are accordingly dark and insanitary. The state of the rooms in the mornings and evening when the inmates cook their food is really pitiable. It is, moreover, not difficult to find such houses occupied by five to ten

people. Rents vary from Rs. 1-2 to Rs. 1-10 per mensem for ordinary one roomed tenements and Rs. 2-8 to Rs. 3-4 for two roomed tenements. Wages of unskilled adult male labourers or coolies vary from Rs. 14 to Rs. 18 per mensem and of skilled labourers or artisans from Rs. 20 to Rs. 60. Women get Rs. 9 to Rs. 12 and children or half-timers about Rs. 8. An average family of unskilled labourers (1·54 wage earners) thus earns about Rs. 22 and that of the skilled workmen about Rs. 40. The expenditure on house-rent is therefore only 6·8 and 7·5% of income respectively.

The state of the private *bastis* however is most deplorable. Lachman Purva, Khallasi Lines, Gwal Toli and Patkapur all are equally abominable. Dirt, stinking open drains, bad odours and general filthiness are the rule rather than the exception in these veritable hells. Near Tapeshwari Devi in Patkapur the conditions in which the poor labourers live are really most pitiable. Small mud huts containing two or three dark and dingy rooms, hardly six feet high, are subdivided among two, three and some times even four families. The only outlet for light and air in these dens is the main door which is frequently only two feet by two and a half feet. The lanes in these *bastis* are indiscriminately used or rather abused as urinals by everybody while children ease themselves there. Rents are very high indeed and vary from Rs. 1-8 to Rs. 3 for a small ill-lighted and ill-ventilated mud hut which neither gives protection from rains nor from cold blasts or summer winds. The percentage expenditure on house-rent of mill hands living in these *bastis* or *mohallas* therefore varies from 8 to 10 per cent of income.

In Calcutta and Howrah conditions are equally bad. The poorer quarters particularly and the city generally is very badly over-crowded. The continuous and heavy increase in house-rent has tended to break up the Joint Family System; and driven the poorer people and even the middle classes to live in dark and filthy tenement blocks, over-

crowded barracks or equally over-crowded *bastis*. Frequently also dwelling houses are divided into a number of mean little tenements with totally inadequate open spaces to provide separate accommodation to several co-heirs. This has been a very important factor in the production of a vast amount of insanitary property in Calcutta where tuberculosis holds undisputed sway. To add to this, working class tenements in Calcutta like Bombay are several stories high and this fact considerably intensifies the insanitary conditions of the city. Dr. Mukerjee writing from personal knowledge of Calcutta slums observes, "Calcutta inside the area enclosed by Circular Road and the River Hoogly, contains no less than twenty-two blocks of residential property, without any street system and served internally only by tortuous lanes, passages and fragmentary lengths of narrow streets. The average size of each block is 100 acres. The total area is about 2,200 acres and can perhaps best be comprehended in the form of twenty-two squares of closely built up streetless property each square measuring about $2,100 \times 2,100$ ft. or 700×700 yards, and they cover only 3 square miles. If we include areas outside the Circular Road, then we get a total of 2,500 acres of streetless property."* Conditions like these are comparable only with Bombay whose closely built 'skyscrapers', traversed with blind alleys and closed verandahs have already been described above, or with Cairo, Constantinople, Peking and Canton.

The *Basti* or hut-system in Machua Bazaar, Bow Bazaar and Chattawallah *gullie* areas in Calcutta present specimens of the most degrading dirt and squalor. In these places the huge streetless tenement blocks give place to several unequal and unsymmetrical blocks of *kutchha bastis* and *chhatrams*. Describing the actual conditions in some of these places Dr. Mukerjee observes, "The typical unit of the quarter consists of a central courtyard some

* Dr. R. K. Mukerjee—Comparative Economics, Vol. II, pp. 286.

fifteen by ten feet, surrounded on all sides by thatched huts made of mud. Each room gives shelter to some four or five people, men, women and children, there being one bed for the whole family, one tap and one closet for the whole colony. The rent is as high as Rs. 8 a month. Some times Anglo-Indian families of four or five members are found living in cells which have been originally built for storing coal or may have been bath-rooms.”* The land on which these *bastis* or colonies are erected generally belongs to one or the other mill-owner who leases it out to some *sirdars* or labour-recruiters who erect the huts on their own account and charge extremely high rents from the labourers. The average size of these dens is $9' \times 6' \times 5'$ in each of which a family of four to five people live, store things and cook their food. The tragedy of life occurs when a woman is confined or a man falls sick in one of these veritable hells. Enveloped in thick smoke, overladen with soot and dust, surrounded by all sorts of abominable odours, damp and dark, the atmosphere of these huts where the mill-hands live and rear up children acts as deadly poison which manifests itself in heavy infant mortality rates, tuberculosis and other diseases. In Calcutta, moreover, the stringency of the *pardah* system is another serious obstacle to the reform of the gruesome conditions of housing and environment. “To effectively seclude the inner apartments from the vulgar gaze”, remarks Dr. H. M. Crake, Health Officer of Calcutta, “air and light are shut out, and the rooms rendered unfit for human habitation.”†

Very little is heard about the welfare work, if any, being done by the employers of labour or other charitable and philanthropic associations or individuals to provide even some variety to the monotonous and squalid life of a labourer. Wages of the ordinary unskilled labourers in the jute mills of

* Dr. R. K. Mukerjee—Comparative Economics, Vol. II, pp. 286.

† Municipal Administration Report, Calcutta for the year 1922.

Howrah and Calcutta do not go beyond Rs. 20 or Rs. 22 per mensem.

According to the Statistical Department of the Government of India, the average weekly wages in a jute mill in Bengal in 1922 were as under :—

**

Class of Labour	Average weekly pay in rupees.
Weavers	9'2
Beamers	7'6
Winders	6'3
Rovers	5'75
Spinners	5'0
Carders	2'9
Shifters	2'2
Coolies	'65 per day.

House-rent, as has been pointed out above, is very high in Calcutta. In spite of the Calcutta Rent Act passed in 1920, prohibiting the increase of house-rent except in cases where the landlord "has incurred any expenditure on the improvement or structural alteration of any premises",† rents have gone up and the provisions of the Act cleverly avoided. So that at present a small room 6'×9' in the worst localities cannot be had for less than a rupee per week while the average rent for a working-class room or hut is about Rs. 1·8 per week. Taking the earnings of an average working-class family to be Rs. 33 which is rather an over-estimate, it would appear that 20 per cent of their income goes to house-rent alone. Over and above these unfavourable circumstances the workers in Howrah and Calcutta have to pay a small cess on latrines which varies from 4 annas to 6 annas per head per month. In spite of this tax, however, it is distressing to note that the conditions of the latrines is very unsatisfactory and the number extremely small. On an average there is not more than one latrine for every forty people in Calcutta or Howrah.

**Prices & Wages in India, 1922, by D. N. Ghosh; published by the Statistical Deptt. Govt., of India, pp. 228 Table, 23 (17).

† Legislative Council Debates, Act No. 3 of 1920, art. 5.

Conditions in the Jute Mill Towns and the Bengal Coal Fields are not appreciably different. Although there is no dearth of open space and land is cheap, the sudden and precipitate growth of the mill towns has led to very serious overcrowding and insanitary conditions in places like Bhatpara, Titagarha, Kharagpur and Bhadreswar. The mill and colliery owners have no doubt built *kutchas* and even *pucca* coolie-lines and barracks near the works, but, as D. F. Gurjel has rightly pointed out, "these houses are both insufficient and insanitary". "In spite of the abundance of land in jute towns", Miss Gurjel observes, "single roomed houses meant for four adults are some times occupied by eleven to sixteen persons."* The mill quarters do not provide sufficient privacy and the outside labourers accordingly do not bring their families with them. Still women working in the jute mills or the coal fields always live with men. Even when a woman has no husband she arranges to live with some man and works with or near him. Women workers if deserted by one man usually seek other protection. "In the coal mining centres" remarks Dr. Mukerjee in one of his works, "no attempt has been made to tackle the question of housing, the operatives live in filthy and dingy huts where manhood is brutalised, womanhood dishonoured and childhood poisoned at the very source."† Dr. Gurjel however observes that the employers provide houses for those who stay for at least four days in the week on the collieries. According to her no over-crowding is found in these houses and that there are more quarters than persons ready to live in them. The fact seems to be that, as in the Giridih and to a smaller extent in the Jharria coal fields in Bihar & Orissa a large part of the labour force belongs to the villages near about the mines who prefer to walk eight or ten miles and sometimes even longer distances to the collieries and return to their villages after two or three days

* *Womens Labour in Bengal Industries*—Miss D. F. Gurjel, M.A., D.Sc.

† R. K. Mukerjee—*Comparative Economics*, Vol. II, pp.

when they have earned sufficient to subsidise their agricultural income for the week. These labourers avoid the quarters provided by the employers in order to escape the payment of rents or any other conditions.

Basti houses inspite of the fact that they are honey-combed with rooms so as to utilise the space to the utmost possible extent, are more popular among the workers chiefly because they are detached dwelling-houses and accordingly afford some privacy to the inmates. Above all they are free from all interference from the employers. The labourers are prepared to pay higher rents for the sake of these facilities and also put up with the bad sanitary arrangements which they offer. These dark and gloomy, unventilated, filthy huts the homes of poverty, prostitution and disease are rented at the exorbitant rents of Rs. 1-8 to Rs. 2 per week. Drink and debauchery are common among the labourers in these places—being the only relaxation available to them after long and tiresome hours of work. Liquor shops are many and are situated quite near the coolie lines, thus directly encouraging the drink habit and sometimes brothels also grow up in many cases under the supervision of the employers.

Municipal regulations, if any, are utterly inadequate and ineffective while town-planning is an anathema. The non-interference policy with regard to the location of factories, dwelling-houses, latrines and other public places is responsible for much of the dirt and squalor and disordered growth of our towns. It is very important that at this stage of their growth the mill and mining towns should be subjected to strict regulation in order to avoid trouble and unnecessary expenditure in the future.

Wages in the Bengal Coal mines vary from 8 annas to 12 annas per day for a maximum period of twenty days in a month or Rs. 10 to Rs. 15 per mensem and in the jute mill towns from Rs. 12 to Rs. 16 per mensem. The report

on the Prices and Wages in India gives the following figures for wages in the collieries in Bengal in 1921 :—

Name of mine.	DAILY WAGES IN RUPEES.	
	Miner	Blacksmith.
Ranigunge ..	·75	·62
Nimcha ..	·69	·56
Sankrolia ..	·80	·90
Sodepore ..	·80	·90
Dobidih ..	·85	·95
Average ..	·78	·78

Rents in the jute and cotton towns vary from Rs. 1-8 to Rs. 2 per week for one-roomed tenements in the labour *bastis*. Rooms in the mill-barracks are, however, rented at about Rs. 8 per week according to Dr. Gurjel, but, as she herself admits, the labourers prefer to pay higher rents and live in the houses provided by *Sirdars* in private *bastis*. On an average therefore a labourer's family in the jute and cotton towns of Bengal spend about 25% of their income on house-rent.

In Madras also the conditions are equally bad. The result of a sudden transition from agricultural communal to an urban industrial life of a people traditionally and temperamentally adapted to communal habits are clearly visible in the tragic conditions in which the poor labourers live in the metropolis and the industrial towns of this Presidency. Although conditions have considerably improved, thanks to the humanitarian work of the Buckingham and the Carnatic Mills in building sanitary houses for their workmen and providing other amenities of life such as out-door recreations, *creches*, etc., conditions are still far from satisfactory. In the words of Dr. Mukerjee, "The squalor, the degradation and the poverty in the slums of Calcutta and Bombay are far out-stripped in the slums of Arlapet in Bangalore and

Perambur in Madras. In the Punchama slum near Binny's mill in Bangalore," he continues "the standard size of a room has been 8' by 6' the height at the apex being 5'. The door being only 2' by 1', I could squeeze myself with difficulty into the room to learn to my surprise that the denizens were three adults and two children and also a dog. The husband, the wife and the mother-in-law, as well as the children were huddled together like beasts. There was also the hen-cover to the left of the aperture which served as the doorway, and numerous chicks flitted about in the dirt dumped in the yard." *Writing about the conditions of manual workers in the city of Madras, the Health Officer, Dr. Raghavendra Rao says, "The filthy conditions of their slums have become their natural habitat and environment. So long as they can get sufficient food, they are prepared to sleep anywhere and to suffer with equanimity the ills and inconveniences attendant on slum-life." He remarks, "The conditions amidst which the poor of Madras live certainly do not conduce to habits of cleanliness. A considerable proportion of the population dwells in large tenement houses, each room of which is occupied by a separate family. The house itself is often in a sad state of dilapidation, the water-supply inconvenient of access, lavatory accommodation inadequate and in a foul state, common passages dirty, the entire house and backyards damp, ill-paved and littered with refuse and excrement." ** The following graphic description of slum-life in Madras by Dr. Mukerjee deserves reproduction in full. Dr. Mukerjee observes, "In one house I found besides the husband and wife as many as nine children, three of whom belonged to a deceased brother. In another Madras slum, perhaps the worst I have visited I found a father and brother living with four children in a room 4'×7'×6'. The mother had given birth to a baby in the same room only recently, 184 (168?) cubic feet for

* Dr. R. K. Mukerjee—Comparative Economics, Vol. II, pp. 227-298.

** Annual Report of the Health Officer, Corporation of Madras, 1927, pp. 2-3.

seven souls! The verandah was $2\frac{1}{2}' \times 2'$ and it was giving protection to an old man who lost his shed in the last storm. In still another hut $8' \times 7' \times 6'$, the poverty was so great that the residents, three adult women and four children, had not even clothes to hide their shame." * Trichinopoly, Labbay Lane, Singertop and Jalalkuthri bring out conditions beyond human imagination. Prostitutes, PUNCHAMAS, Mill-hands all are huddled together in the most degrading conditions. Madura, the seat of some of the most ancient and beautiful temples in India, Ponnangaram, Meenakshi and Sundereshwara all contain some of the most sordid slums. Rooms of the size of $6' \times 5' \times 5'$ are indescribable in their filth and squalor. In Matanchhuri, a commercial town near Cochin, a heterogeneous group of Jews, Eurasians, Christians and low-class Moslems and Nairs have produced the most abominable filth. Dark and gloomy rooms of the size of $8' \times 6' \times 5'$ or $7' \times 5' \times 6'$ or $10' \times 4' \times 5'$ are built in long lines close to each other, a considerable number of whom are occupied by prostitutes and women of ill-fame. In Matanchhuri the prostitute is more in evidence than her more hard-working and virtuous sister, the coolie woman. In the *bastis* and *chawls* she is more in evidence and in some cities she is seen in the street day and night, and in some quarters fairly in herds. Along with the over-crowded workshops and congested slums, the grog-shops and the tea and coffee resorts she seems to be regarded as being as essential to existence as industrialism and the flimsy finery of city life."**

After a while one really becomes so permeated and soaked with the enervating squalor of these drab conditions that one tends to regard it as an inevitable evil incident of town life. 'Make your town sufficiently congested,' observes Professor Pigou, "sufficiently ludicrous, sufficiently void of open space

* Dr. R. K. Mukerjee—Comparative Economics, Vol. II, pp. 299-300.

**

Ibid

pp. 302.

and grass for children's play, and you go far to write for life, over the gate of it: 'All hope abandon ye, who enter here'."*

The rents for these dark and gloomy little dens, the seed-pots of debauchery and disease, vary from Re. 1 to Rs. 2 per month, the most predominant being Rs. 1-4 and Rs. 1-8 per month. Wages in Madras are particularly low. An ordinary Punchama or any other low caste worker does not earn more than Rs. 8 to Rs. 12 in a month, while females earn about Rs. 6 to Rs. 8 and children Rs. 5 to Rs. 6. An average worker's family living in the slums described above therefore spends about 10 to 15 per cent of his small earnings on house-rent. Thus malnutrition combines with insanitation and over-crowding to annihilate the physical and moral existence of delicate mothers, young children and old persons who are naturally ill-fitted to bear the trials of life and economic stress.

At this stage it will be interesting and instructive to compare the conditions of living in Indian cities with some of the industrial centres of Europe and America where industrialism is most advanced. Although the housing conditions in the industrial cities of Great Britain, France, Germany and Belgium and in the growing cities of the New World were almost equally bad in the last decennium of the 19th and the beginning of the 20th century, as is clear from the numerous reports of committees and commissions which have investigated into their local conditions, it is an incontrovertible fact that official and non-official efforts and legislation have considerably improved the situation in most of the Western cities to-day. The rapid increase of house-rent in the chief industrial and commercial cities of the United States of America, Great Britain and the Continent during and immediately after the Great War has, however, caused no inconsiderable anxiety to the local administrators

* Essays in Applied Economics—Prof. A. C. Pigou, pp. 115.

and other public men interested in the social, economic and industrial growth of their countries. Most of the countries had to take recourse to law to prohibit or limit the increase in house-rent and to undertake or subsidise extensive housing projects. Over and above these direct methods, town-planning, the improvement of transport facilities, technical improvements in the methods of building, the substitution of tenement blocks for small houses, encouragement of settlement on the land, the promotion of garden cities, public or communal ownership of building land, the organisation of credit, etc., had considerably improved the housing conditions in the West immediately before the War. The War, however, marks another turning point in the history of the housing problem in Europe and the New World. The scarcity of capital in the building trades, the diversion of a considerable number of building workers to the theatres of war, the appropriation of all kinds of building materials for purposes of war and the rise in the cost of building material in common with general prices, coupled with an enormous amount of destruction of houses in countries which were actually the scene of military operations, and the decline of industry in the neutral countries all led to an unprecedented scarcity of housing accommodation. The following table shows the net increase in the number of dwellings, that is the excess of those built over those demolished in the principal belligerent and neutral countries in Europe during the war.

BUILDING DURING THE WAR

Names of Places.	1913	1914	1915	1916	1917	1918
Austria (Vienna) ..	13,128	8,666	4,726	835	314	36
France (Paris) ..	10,642	11,959	2,258	2,290	1,239	1,060
Germany (35 Towns)	45,220	32,330	13,171	4,685	1,712	..
Hungary (Budapest)	3,745	3,305	2,284	391	152	435
*Italy (Rome) ..	7,331	8,054	2,642	2,168	700	996
(Milan) ..	19,508	13,945	9,693	3,525	1,505	1,432
Denmark (Copenhagen) ..	..	13,578	2,391	1,337	3,102	2,153
Netherlands (10 Towns) ..	..	5,667	3,995	3,783	3,849	4,718
*Switzerland ..	3,598	2,273	1,604	1,220	965	897
*Norway (5 Towns)	1,627	1,187	1,012	1,092	1,497	1,049
*Sweden ..	8,594	7,488	5,132	5,754	6,818	5,203
*Finland (Helsingfors) ..	2,632	775	314	29	232	130
† Great Britain ..	56,62,032	53,47,551	25,15,825	8,66,127	4,09,691	2,39,737

During the War the steady flow of workers into the industrial centres to work in the industries of war, the abrupt stoppage of emigration and the influx of foreigners especially from belligerent countries, all led to a considerable over-crowding into the towns while the return of millions of demobilised soldiers, prisoners of war and civil internees to their homes after the close of the hostilities led to an enormous increase of marriages and the consequent congestion in towns. The number of vacant houses dwindled to insignificance while the number of persons in want of dwellings swelled enormously. All these causes in normal times would have led to an enormous increase of rents which the tenants would have found it extremely difficult to pay. In every European country, accordingly the State stepped in

* Dwellings or number of rooms constructed.

£ Total value approved by local authorities for expenditure on the construction of houses.

to protect the tenants. In France, Italy and Germany rent moratorium was granted in one form or another for the period of the war, while in England and Russia rent restriction acts were passed early in December 1915. Denmark, Norway, Roumania, Hungary-Austria, Italy, Netherlands, Switzerland, Sweden, Germany and France soon followed suit. Poland, Serb-Croat-Sloavene, Czecho-slovakia, Belgium and Finland also introduced rent restriction legislation which have all been salutary in their effect. The result is clearly visible in the decreasing percentage expenditure on house-rent in almost every country. The following figures collected on the cost of living index numbers in the principal Western countries indicate the percentage expenditure on house-rent since 1913.

Country	1913	1919	1920	1921	1922	1923
United States ..	18.1	11.7	11.3	16.0	17.4	18.05
Denmark ..	14.2	7.6	7.1	8.5	11.06	11.14
Norway ..	15.7	7.02	7.6	8.4	10.3	11.4
Sweden ..	11.9	5.6	5.7	5.8	10.2	11.2
Switzerland ..	10.4	..	..	7.03	9.88	9.9
Great Britain ..	16.0	..	7.4	10.95	13.55	13.07
Finland ..	11.8	..	4.3	5.4	7.9	10.3
France ..	12.0	5.04	3.53	4.3	6.4	7.2
Italy ..	11.4	4.07	2.79	3.21	4.86	4.94
Germany ..	18.0	..	..	..	1.15	0.34
Austria ..	14.6	..	..	..	0.12	0.66
Hungary ..	18.0	1.08	0.69	1.06	0.43	0.22
India ..	05.1	13.3	..	..	..	16.7

Legislation for the protection of tenants was recognised as a social necessity, but with the increasing realisation of its economic effects, more especially the check to building, there has been a growth of feeling for its withdrawal.

Hence the tendency towards the abolition or the relaxation of rent restriction laws in most of the European countries and particularly in the neutral countries. In Denmark the process of relaxation began in 1923 and was completed on 1st May, 1925. In Sweden tenant protection is to disappear completely by 30th September, 1926, while Switzerland began the relaxation in 1922. Three of the belligerent countries have already withdrawn their emergency legislation, Finland on 6th June, 1922, the Sub-Croat-Slovene Kingdoms on 1st January, 1923, and Italy on 1st July, 1923, Germany and Poland have been seriously thinking of decontrolling the rents since 1923, while Hungary started on a process of graduated repeal on 16th March, 1923. In other countries, though it has been found impossible to withdraw such legislation, there is an obvious tendency to adapt rents to the increased cost of living and progressively to restrict control to the smaller class of houses. It might, however, be mentioned here that in all countries where the regulations for the protection of tenants are being relaxed, efforts are made to mitigate the hardships caused to tenants in several ways.

The relation of house-rent to income during and after the progress of the War can best be seen from the movements of house-rent and wages separately in the principal countries.

The following table indicates the progress of wage-rates and house-rents in some of the industries in the important Western countries :—

AVERAGE WEEKLY WAGES.

Countries and cities.	Actual.	Percentage increase since 1914.					
	1914	1920	1921	1922	1923	1924	
<i>Great Britain.</i>							
General Average ..	\$ 19'4	..	..	..	106	106	
Cotton Industry ..	19'6	..	..	..	85	'79	

AVERAGE WEEKLY WAGES

Countries and cities.	Actual.	Percentage increase since 1924.				
		1920	1921	1922	1924	1922
<i>United States.</i>						
Cotton industry ..	\$ 7'12	..	..	..	140	106
New York textiles ..	\$ 9'40	..	..	..	135	130
<i>France.</i>						
Miners (daily) ..	Fr. 5'40	260	249	216	295	..
<i>Germany.</i>	<i>R. Marks</i>					
Textiles ..	26'18	..	..	..	..	4
Skilled ..	..	..	..	..	..	..
Unskilled ..	21'38	..	..	..	..	12
<i>Mining.</i>						
Skilled ..	37'62	..	..	..	..	4
Unskilled ..	24'85	..	..	..	..	25
<i>Netherlands.</i>	<i>Florence.</i>					
Coal Mining ..	2'64	175	136	108	120	109
Cotton Weaving ..	12'57	103	..	..	101	..
<i>Denmark.</i>	<i>Kronen.</i>					
Copenhagen textiles ..	24'22	..	..	168	160	..
<i>Norway.</i>						
Drivers ..	23'10	306	260	189	176	..
<i>Sweden.</i>						
Manual workers ..	12'41	191	171	107	104	..
<i>Australia.</i>						
(Average) ..	\$ 55'10	..	..	66	71	..

EXPENDITURE ON HOUSE-RENT.

Countries and Cities.	Actual.	Percentage increase since 1914.				
		1920	1921	1922	1923	1924
Great Britain ..	..	18'0	52'0	50'0	47'0	47'0
United States \$..	1'03	51'1	61'4	61'9	66'5	68'0
Chicago ..	..	48'9	83'9	88'9	95'4	104'4
New York ..	..	38'1	53'7	55'7	62'4	64'5
Philadelphia ..	..	38	48'1	52'9	66'9	72'4
Belgium (59 towns) ..	..	..	..	..	36'0	40'0
Canada (60 ") ..	..	32	42	45	44	43
Australia (6 ") ..	..	15	21	31	..	..
South Africa (6 ") ..	..	16	16	20	..	..
Denmark (100 towns) ..	..	30	41	55	60	70
France (Paris) ..	..	0	10	80	100	100
Italy (Milan) ..	..	8	39	198	207	207
Norway (31 towns) ..	..	47	61	73	73	76
New Zealand (4 towns) ..	..	16	21	36	48	57
Sweden (49 towns) ..	..	30	55	63	78	78
Switzerland (23 towns) ..	..	27	46	56	57	61

It is quite apparent from the tables given above that the increase of house-rents has not been at all commensurate with the increase in wages in most of the European countries as well as in the United States of America. As has already been pointed out most of the countries prohibited or restricted the raising of rents during the War, and have only recently been relaxing those regulations. The proportion of house-rent to income was thus kept artificially down by the action of the State during and immediately after the war and the withdrawal of these strictions has slowly tended to a return to normal conditions.

In India, however, the tendency has been just the opposite. The rent restriction acts are confined to the cities of Bombay and Calcutta and even there the rents have increased, as has been shown above. Thus rents have increased considerably everywhere while wages have remained more or less stationary. The inevitable result of these causes has been an increasing congestion in our industrial cities and unprecedented hardships and sufferings upon the poor manual workers. The following table indicates the state of affairs with regard to house-rent in Indian towns as compared to some foreign countries :—

PERCENTAGE EXPENDITURE ON HOUSE-RENT IN THE PRINCIPAL COUNTRIES IN 1923.

Place.	Percentage.	Place.	Percentage.	Remarks.
United States ..	18'01	<i>Bombay.</i>		
Boston Mass ..	12'8	<i>Old buildings.</i>		
Chicago ..	14'9	Govt. L. O. Enquiry ..	10'98	
New York ..	14'3	Our estimate :—		
Philadelphia ..	13'2	Unskilled labour ..	20'0	Actual
Great Britain ..	13'07	Skilled labour ..	15'0	
Denmark ..	11'14	<i>New buildings.</i>		
Norway ..	11'4	Our Estimate :—		
Sweden ..	11'4	Unskilled Labour ..	50'0	Theoretical.
Finland ..	10'3	Skilled Labour ..	40'0	
Switzerland ..	9'9	<i>Ahmedabad.</i>		
France ..	7'2	Our Estimate ..	20'0	Actual,
Italy ..	4'9	<i>Nagpur.</i>		
Germany ..	0'34	Our Estimate :—		
Austria ..	0'60	Unskilled Labour ..	22'0	Theoretical.
Hungary ..	0'22	Skilled labour ..	13'3	
		<i>Cawnpore.</i>		
		<i>In Mill quarters'</i>		
		Skilled Labour ..	6 8	Actual.
		Unskilled " ..	7'5	
		<i>In Buste s</i> ..	8 to 10	
		<i>Calcutta.</i>	20'0	
		<i>Jute Mill towns.</i>	25'0	
		<i>Madras.</i>	10 to 15	
		<i>Bombay..</i>		
		Working class budgets.	..	
		General average ..	7'7	
		Families earning ..		
		Less than Rs. 36 p. m.	10'9	

The figures given above show that the percentage expenditure on house-rent in Indian cities at the present time is distinctly higher than in any other country in the world, and that the conditions in India are not yet stable. The enquiry into the working class cost of living in Bombay, published by G. Findly Shirras, however, gives a very different idea. As has already been pointed out, the enquiry confined itself largely with the comparatively superior class of labourers and artisans, while it ignored the more important because the more numerous class represented by unskilled low-caste labourers. Moreover, the enquiry, although it extended right up to 1923 and has made use of the 1921

census figures, has confined itself to buildings occupied before 1916 with regard to house-rent. In spite of the Rent Restriction Act passed in January, 1916, rents in the old buildings have increased by 31 per cent from 1916 to 1923 while rents in the new buildings to which the Rent Act does not apply have more than trebled during the same time. Wages on the other hand have practically remained stationary during this time. The problem of house-rent in Bombay, therefore, is much more serious at the present time than it ever was before.

In England and the Continent on the other hand, wages have risen considerably whereas rents have been kept down by Rent Restriction Acts and State aid to the building industry. The result is that the percentage expenditure on house-rent in almost all the Western countries with the exception of the United States and to a smaller extent Great Britain, Switzerland, Finland, Sweden, Norway and Denmark, which have slowly relaxed the restrictions, has appreciably gone down.

The two tendencies working in opposite directions have rendered comparison between the Indian and the Western figures at the present time, in this particular case, rather unreal and misleading. But even making allowance for these factors, we cannot agree with the ludicrously low figure at which the percentage expenditure on house-rent has been shown in the Labour Office Enquiry in to working class budgets in Bombay.

THE ECONOMIC VALUE OF GOATS IN THE PUNJAB

BY

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The interest of the Board of Economic Inquiry, Punjab, in the economics of goat-keeping originated in a suggestion made to it that the economic value of goats should be investigated by the Board. It was pointed out that in the district of Gurgaon, whence the request originated, owners of goats make no provision for grazing, that the goats are largely maintained at the expense of the public, and that they and their herds devastate the country side with tooth-axe, rendering impossible the growing of such things as trees and shrubs by Government or the District Board. Finally it was stated "that the goat is vermin and should be taxed or legislated out of existence."

Before deciding to pursue the investigation further, it was resolved that the views of those people competent to speak with any authority on goats should be invited. The present note is, therefore, in the main a summary of the expressions of opinion of these people. An endeavour was made to obtain the views of those interested in the subject of goat-keeping from different aspects. Thus the Imperial Dairy Expert, and the Assistant Controller of Military Dairies, have written from a milk-producing point of view; the Conservator of Forests, Punjab, from that of goat grazing in forest areas; the Civil Veterinary Department, Punjab, and Live Stock Experts from that of breeding, feeding and milk production. The present writer has added the results of some investigations he has made into the value of goats' milk in comparison with cows' or buffaloes', the

value of their manure, etc., and the trade returns of the Punjab and India dealing with live goats, skins, etc.

That the goat cannot be classed as vermin in the ordinary sense of the word is clear from the expression of all the persons consulted. It serves a real purpose and is an important factor in the internal economy of the Punjab villages. So long as the animal is confined or kept under proper supervision it is of great value and should be fostered as such. When, however, it is allowed to roam at large and in its destruction of trees and shrubs is liberally assisted by the *dhanga* of the goat-herd it then becomes a nuisance. This was the original meaning of the mover of the investigation and in this everyone naturally concurs.

The goat has been termed the "poor man's cow," for, because of its hardiness, its power to survive where a large and more costly animal would die of starvation, its capacity for living on and turning into milk and meat food material which would otherwise be wasted, and, lastly because of its low cost, it provides for the poorer classes a supply of milk which poverty would otherwise put beyond their means. That, therefore, it cannot and should not be legislated out of existence is undisputed. The remedy for the damage done to the public must be sought in other means.

* "From the forest point of view the goat is the worst enemy of the forests in India. This animal has laid waste all the low hill forests in the Rawalpindi, Kangra and Hoshiarpore districts, and much of the denuded state of the plains of the Punjab is due to the goat and the goat-herd, for the latter uses the *dhanga*, stripping the trees of nearly all their branches, and thus causing their ultimate death. A forest cannot thrive and cannot reproduce itself unless closed strictly to goat brousing, but even so the nomad herds of goats in their annual migration from high level forests in Jammu, Chamba and Bashahr States to the

* Chief Conservator of Forests, Punjab.

sub-montane regions are doing incalculable damage with which the Forest Department finds itself unable to cope.

" But there is undoubtedly another side to the question. The goat is valuable to the agriculturist for manure, for milk, for fleece, for spinning warm clothing, and for the hide for leather manufacture. To a less extent the goat is required by the *bona fide* agriculturist for meat. It is, however, not so much the goat owned by the *bona fide* agriculturist which does most of the damage in the forests of the Province as the nomad herds I have referred to. They are maintained purely for profit from the sale of fleece and hides. I believe that the goat skin trade of the Province is of very great importance ".

From the foregoing extract it is clear that there are grave conflicting interests at stake in the solution of the problem. Even the goat's severest critic has to admit its economic value and usefulness in certain directions.

During the last ten years goats in India varied between 24 and 31 millions, the average being 27·8 millions. Sheep during the same period were constant at 22·23 millions. In the Punjab the number has been practically constant during the last 25 years and has been on the average 4·1 millions. According to the census taken in February, 1923, the number in the Province was 4,367,470. In comparison sheep numbered 4,073,488. Goats in the Punjab represent, therefore, 14% of the total in India.

In the census returns of 1909-1914 sheep in the Province were in excess of goats by about 350,000. In 1919 this excess had risen to almost one million. Since then, however, goats appear to have been rapidly increasing. As the latest census (1923) shows not only that this deficit has been wiped out but that goats now exceed sheep by some 300,000. The explanation of this increase is to be found in the fact that goats can survive and even do well in times of scarcity, and statistics show that whenever there is a year

of scarcity goats rapidly increase in number.

From a food consuming point of view the goat is the most economic of all milk producing animals. It is very prolific and cheaply reared. It eats a class of fodder which cows, or even sheep, will not touch and thrives where these animals starve to death. The goat is, therefore, the cheapest of all milk producers. In certain parts of the Punjab it is specially bred for milk, *e.g.*, in Gurdaspur, Gujrat, Sialkote and the Salt Range. Breeders in these districts derive a good livelihood and large profits by supplying to large towns. The trouble, however, lies in the fact that owing to the large demand for goat meat, etc., goat-herds keep a larger number of animals than local growing conditions warrant. With the advance of canal irrigation, grazing areas in the Province have been reduced and goat and sheep rearing has had to concentrate more and more on hilly areas. In plains it is only bred by the poorer classes, mostly menials owing little or no land and depending entirely on common grazing grounds or what can be picked up by the way.

There is a large annual trade in goats' meat in the Punjab. It is usually preferred by Indians to mutton, and generally, as goats are brought to slaughter in better condition than sheep, their meat commands a better price. A goat in prime condition in the Lyallpur district brings as much as Rs. 15 for slaughter. The Superintendent, Civil Veterinary Department, put this as high as Rs. 25 in some districts. Reproduction amongst goats is usually so controlled by keepers of herds that the majority come into milk during February or March. Enquiries show that on an average the milk yield may be taken at 5 lbs. per day during the first 3 months and 2 lbs. per day for a further two months. The total milk yield, therefore, during a lactation would be from 600-700 lbs. No milk records regarding goats are available to the writer, nor is it likely any are to be found in India; but enquiries from a number of large

owners of goats put the yield at the figure given. Valuing the milk at 2/6 per seer, it is seen that the average goat brings its owner Rs. 50 to Rs. 55 for milk during a year. This sum is mainly profit as the goat has been fed on whatever it could pick up.

It was stated by some of those whose views were obtained that goats' milk is very rich in fat, containing about 1% more fat than cows' milk, that its casein is digested in one-third the time required for cows' milk, and that on the addition of 5% sugar it becomes identical with human milk. On account of these facts it is claimed that it is, therefore, specially suited for children, invalids and aged people. The writer obtained a number of samples of goats' milk from goats which had been in milk for periods varying from 8 days to 6 months and found a fat content as low as 1.9% in one sample and as high as 6.7% in another. The average of 17 samples taken on different days showed a fat content of 3.7%. From this it seems certain that goats' milk whilst as rich as the milk of an average European cow is somewhat below that of the average Indian cow.* Its fat globules, are however, smaller than those of either the cow or the buffalo and are, therefore, more digestible. This fact increases the value of goats milk.

That the manure of the goat is valuable and that its value is realised is shown by the fact that zamindars are willing to fold a herd of goats on their land and to pay the goat-herd Re. 1 for a herd of 100 goats per night. It is considered by the zamindar that a sufficient dressing of manure is given if 2,000 goats are folded on an acre of land for one night. This practice is commonly followed in Kangra, Hoshiarpur, Montgomery and Sialkote districts. In most cases no regular payment is made but the safety of the flock is guaranteed and other privileges such as grazing, the lopping of trees and sometimes food and tobacco are

* Milk of Indian breeds of cattle is about 4.5%

given. Occasionally 16 seers of grains are also given for one night for a herd of 200 goats. Normally the zamindar spends nothing whatever on manure for his land and that he does actually part with something in return for the manure dropped by the goats indicates that he is slowly moving in the right direction.

Chemically the solid excrement of the goat is much richer in nitrogen and phosphoric acid than that of either the cow or the horse. The urine also is exceedingly rich in both nitrogen and potash and very much more valuable than that of any other animals.

A study of the trade returns shows that the Punjab is not self-supporting in goats. In live goats there is a large import trade annually into the Province and some export. Imports are largely from other Provinces in India but there is also a small trade across the frontier. The latest figures available to the writer are those for 1920-21. During that year the trade was as follows :—

<i>Goats and sheep.</i>	Imports.	Exports.
From other Provinces	100,756	2,158
From Central Asia and Tibet.	13,227	..
	113,983	2,158

Excess of imports over exports=111,825.

Statistics do not differentiate sheep from goats, but as the numbers of sheep and goats in the Province are about equal it may safely be assumed that approximately 50,000 goats are imported into the Province annually. The value of these is about $3\frac{1}{2}$ lakhs of rupees.

A very large trade is annually carried on in the import and exports of raw skins. This is supplemented by a small trade in dressed skins. During the five years 1916—21 the figures were as follows :—

Raw skins (sheep and goats).

1. Total export of raw skins	= 669,174 Cwts.
Total export of raw skins	= 823,725 "

Excess of exports over imports	=	154,551	Cwts.
Average annual net export	=	31,000	"
Assuming goats to be half the total as above			
Raw goats skins net annual exports	=	15,000	"
<i>Dressed skins</i> (Sheep and goats).			
2. Total import of dressed skins (1916-21)	=	247	"
Total export of dressed skins (1916-21)	=	2,372	"
Excess of exports over imports	=	2,125	"
Average annual net exports	=	425	"
Average annual net exports (goats only)	=	200	"
			(approximately)

Valuing all skins at Rs. 50 per cwt., the average value of the export trade in goats' skins to the Punjab annually, is over $7\frac{1}{2}$ lakhs of rupees. The Punjab, therefore, annually imports live goats to the value of about $3\frac{1}{2}$ lakhs of rupees and exports goats' skins to the value of $7\frac{1}{2}$ lakhs of rupees.

The foregoing figure give some idea of the value of the goat to the Punjab both in food and as an item of trade. If by some legislative enactment the goat could be done away with tomorrow, or even after a considerable period of time, what would replace it as an instrument of production of meat and milk, not to mention hides? If it were proposed that the stock of cows or buffaloes could be increased, the goat cannot possibly be replaced by these for they are already in greater numbers than can be properly supported by the available supply of suitable foods. For this reason, and mainly because of the ability of the goat to turn material which would otherwise be wasted into valuable economic products it is not practicable to enforce any legislation that would have the effect of the abolition of the goat.

Goats can be grazed with absolutely negligible results by way of damage, especially in jungle areas. They do well on the indigenous scrub jungle of Eastern Punjab. The goat should not be eliminated nor should it be allowed to devastate public and private property. If the grazing grounds are common to the village or group of villages, each land-owner ought to be restricted to a given number

of goats and if the lands are waste the number of goats to be grazed thereon by nomads should be controlled and a fee charged, be it ever so small. Where no grazing grounds exist and no waste lands is available goat keeping by nomad herds possessing no land should be regulated and controlled by local legislation. We cannot do without the goat in the Punjab but the number to be kept and the conditions under which they could be kept, might be regulated so that this animal will be a benefit to the communtiy and to the State, as well as to the owner.

RELATION OF HOUSE ACCOMMODATION TO CHILD MORTALITY.

With reference to the Editorial comment on my paper on the above subject, published in a previous issue of the Journal, (Vol. V, Part 3), I take the liberty to point out that more precise figures of congestion and its relation to infant mortality rate by the number of rooms occupied given by me, or on similar lines, are not available. In fact the figures of infantile deaths by wards given in my paper have been obtained after much difficulty by private correspondence, through the courtesy of friends, or by private interviews with the local Health Officers and other people concerned. The present agency for the collection of public health statistics is utterly inadequate and imperfect so that even the accuracy of many of the figures given is doubtful. So long as the collection of vital statistics is not more systematic and complete, we must rely upon the present figures and the inferences which can be drawn from them.

As regards the other objection with regard to my proposition, I am afraid it is based on a misinterpretation of facts. As I have pointed out above the figures are not very reliable. Even as they are however they do prove my contention that the percentages of infantile deaths within one month of birth and before six months are greater in the cities than in the provinces, with the solitary exception of Bombay.

The following table gives the percentages of infantile deaths within one and six months to total deaths within one year:—

Provinces	% age of deaths to total deaths within one year.		Cities	% age of deaths to total deaths within one year.	
	Under one month.	Under six months.		Under one month.	Under six months.
Bengal	47'5	71'8	Calcutta	50'9	77'1
Bombay	41'3	75'8	Bombay	39'0	67'0
Madras	48'5	70'8	Madras	..	..
Burma	32'3	78'9	Rangoon	50'0	..
C. P.	49'8	77'6	Nagpur	54'44	80'32

In the case of Bombay it is interesting to note that, as Dr. Sandilands, the Health Officer of Bombay also admits, the figures are vitiated by one important factor. Over 31 per cent of the total number of infants in the city do not appear on the Municipal register of births because they have been born elsewhere. No infant is likely to be brought into the city before he is one month old and very few before they are six months. To that extent, therefore, the percentages of infantile deaths below one month and to a great extent below six months to total infantile deaths are understated in comparison to infantile deaths over six months. If allowance is made for this important deflection in the percentages of deaths within six months to total deaths in Bombay City, the proportion will rise fairly above the provincial figure.

Similar considerations hold good to a greater or less extent in the case of other important industrial and commercial cities like Calcutta, Rangoon, Cawnpore, Ahmedabad, etc., where there is a regular stream of immigrants from the surrounding country.

Raj Bahadur Gupta.

THE BOARD OF ECONOMIC INQUIRY, PUNJAB

BY

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The Board of Economic Inquiry, Punjab, has been carrying on investigations in both the Rural and the Urban areas of the Province. For the two inquiries there are two distinct sections, one Rural and the other Urban. In both of these a good amount of honourary work has been done by the members.

The object of the Board is to inquire into the conditions of living of the poor classes, and other economic phenomena which concern them. This sort of inquiry has been, from time to time, insisted upon by many people and the Government might be now definitely thinking of constituting a special board for the purpose in each of the Provinces of India. The Punjab, however, deserves credit for being the first to realise the importance of having such a body and to act up to it.

When any new scheme is to be passed by a Government or any new tax is devised by it, or in short when any change in the administration of a country has to be made, the object is always to serve a definite aim. For instance, when a tax is increased in amount, or an import duty is abolished the object is to increase the revenue in the one case and to increase the imports in the other. There may, however, be other effects towards which a Government might aim, but at any rate the effects are generally of such a character as may be easily anticipated. In such a case our knowledge and foresight are not always so deep as to enable us to predict and thereby account for all the possible changes that such a policy may bring about in the ways

of living of all classes of people. Our knowledge of the towns and the well-to-do people, and our information about the trading and commercial classes is much more perfect than those about the relatively poor and obscure people. The result is that in formulating a policy of administration we are likely to predict its effects on the other classes of people much better than on those about which our knowledge is so imperfect. Hence the necessity is felt of having a clear idea about the ways and means of living of all the classes of people before we enact any new scheme. Such then is the object of work under taken by the Board of Economic Inquiry of the Punjab. It has already done good work and we hope that it will achieve great successes before its inquiries come to an end.

During the past year the Rural Section of the Board made two inquiries ; one an investigation into the mortgages of agricultural land in the Ferozepore district, and the other, a general economic inquiry in two *talukas* of the Kangra district. Besides this the members of the Board prepared a Questionnaire for economic inquiries. On the lines thus set out six new inquiries were started in the beginning of this year in Jullundur, Lyallpur, Multan, Rawalpindi and Rohtak districts.

The object of the Board is to carry on such economic inquiries in all the districts of the Punjab that after a few years it may possess representative and reliable information about the general economic condition of the people in the Province.

An inquiry into the mortgages of Agricultural Land has already been started and it is hoped that it will help to bring to light many of the hitherto obscure facts about the peasantry of the Province.

The Urban Section, owing to lack of funds did no substantial work during the year. However, some honorary work was done by Mr. Mulk Raj Bhalla, M.A., in the collection

of a few examples which might help further inquiry into the earnings of Tongawallas, and some preliminary data were also collected for the inquiry into the Housing Conditions in the City of Lahore. An inquiry has also been conducted by Mr. Mulk Raj into the factory conditions in the Punjab.

The Section has on its programme a few new subjects in which it is carrying on investigations at present. The programme includes inquiries into the Cost of Education in the Punjab, the Decay of the Sugar Industry in the Jullundur Doab, the organisation of Railway Workers in the Province, and unemployment amongst the B.A.'s in the Province.

I have before me three publications of the Rural section of the Board. One is the Questionnaire for Economic Inquiries. It sets out the lines on which the inquiries are to be conducted. It deals with the different aspects of village life. It considers the agriculturist as a cultivator of land, as a producer of necessities, and as a consumer of food and other articles. Or in other words, it has formulated questions relating to first, Cropping and Cultivation, Irrigation, Holdings, Mortgages, etc., secondly, sales, sales of village produce, price of land, yields, rent, etc., and lastly it asks questions about consumption.

Of the three sorts of questions the first two, relating to production in general, can be fairly well answered by means of the various records. Even then it would be difficult to arrive at an accurate set of figures. Questions about consumption are still more difficult to answer, but the fact that most of the peasants living under similar conditions have similar or almost identical budgets of expenditure makes the task an easier one.

It must be noted that the Questionnaire would require hard and patient work, careful investigation, frequent cross-

examinations and a vast amount of comparison before a satisfactory solution is arrived at. In dealing with small quantities we are apt to under-estimate the importance and necessity of great scientific accuracy and thus fall into an error which might gather force and augment itself as we proceed further and further.

The second publication is an Inquiry into Mortgages of Agricultural Land in the Ferozepore District carried on by Mr. S. Balwant Singh, B.A. It is a small book but contains much useful information. It begins with the classification and kinds of mortgages and goes on with the Area under Mortgage, Distribution of Mortgages by Classes, Conditions relating to interest, Redemption, the History of Mortgages, Changes in the Mortgaged Area, Sources of Mortgage Money, Economic Effect of Mortgaging and ends with a short conclusion and a couple of Appendices. Thus it follows a scientific order, so that it could be read with interest, and remembered to good purpose.

An inquiry of this sort is of immense value not only to the Government but also to a student of Economics. It shows us what amount is borrowed and under what conditions, how much interest is paid, how the money borrowed is spent, what sort of men borrow the money or, in short, it gives us all the materials to decide whether the district is gaining by the system of land mortgages or losing thereby.

Men who are able and willing hard workers, who have land but no money must naturally derive a real benefit from the mortgage of their land and thereby add to the prosperity of their district. Borrowing under such conditions must be encouraged and facilitated. On the other hand, there are others who are idlers, who would like to live all their lives on borrowed money. Such men are a burden to the country and by their borrowings the country loses economically though the money-lender may be benefitted by it. Borrowings by such people must be discouraged.

The third publication is an Economic Survey of Bairampur in the Hoshiarpur district, carried on by Mr. Ram Lall Bhalla, M.A. It is a book full of useful information and deals with all the aspects of the villages. Certainly, even a single survey of this type would immensely benefit a Government by showing how and under what conditions a villager lives. However, apart from opening one's eyes to the backwardness of the village it can do nothing more towards helping one to formulate a general policy of administration unless a few more such inquiries are carried on in different places.

In addition to these three the Rural section of the Board has published the result of some other inquiries carried on by its members. Some of these are, the Milk Supply of Lahore in 1921, by Pt. Shiva Dutt, M.A. *Size and Distribution of Holdings in the Punjab, by H. Calvert, C.I.E., I.C.E., †Sixty years of Punjab Food Prices, 1860-1920, by W. H. Myles, M. A., §Economic Value of Goats in the Punjab, by H. R. Stewart, I.A.S.

Of these the "Milk Supply of Lahore" must be a very useful book. Milk is one of those articles of consumption which is very widely used and one which forms, to a great extent, the food of the young. Moreover it is most liable to be adulterated and consequently very liable to spread disease. An inquiry into the question of milk, therefore, cannot fail to help the people in one of the most important sanitary questions. Such an inquiry would show how much milk is produced and how much consumed, whether the consumption of milk per capita has recently increased or decreased, whether the milk is thereby made cheaper or dearer and in what way the quality of milk offered for sale has been affected. What sort of cattle are best suited for an

* I have not as yet seen this work.

† This appeared in the *Indian Journal of Economics*, July, 1925.

§ This paper is contained in this issue of the *Journal* Cf. p. 114.

efficient supply of milk, what proportion of water is mixed with milk in the different months, which is the best method of distribution of milk, and such other allied problems would be dealt with in such an inquiry.

An inquiry into the size and distribution of holdings is probably one of the most important inquiries that could be carried on. The disadvantages of small and partitioned holdings are too well known to a student of economics and to the public in general.

The Urban section has done comparatively less work. However, it is the Rural side that needs most attention and presents greater and harder problems to a social reformer. But I have one publication of the Urban section before me, viz., *Family Budgets of Clerks*, by Mrs. Caleb.

A family budget is one of the best means of knowing the conditions of living of a class of people. It reveals, at once, how the class gets its income and how it spends it, whether the income derived is economically distributed between the different items of expenditure, whether the expenses are of a nature which more than restores the energy spent in producing the income, whether any savings are made which is, of course, the best way to determine whether there is any balance of gain over loss, and above all, whether the class is a burden and an economic loss to the country or the society or a help and an economic gain.

The difficulties in the way of forming a budget are many and great, but those only who have themselves attempted to draw up a budget fully realise its difficulties. Not only the unwillingness on the part of a man to disclose the secrets of his home and domestic life but his very ignorance with regard to various points makes it a hard task to form an exact and correct budget. However, a fair approximation to the truth can in most cases be arrived at by a careful and keen-sighted enquirer.

Mrs. Caleb's work shows how a majority of the low paid clerks live in debt quite out of proportion to their incomes. Whether the budgets are quite correct or not we cannot definitely say, but it seems strange that the clerks should have such huge debts of which they are able to pay back no considerable amount. It is evident that they cannot go on living as they do now, incurring debts and paying back none ! It seems as if the budgets have been made out for a period of years during which the expenses have been exceptionally high and do not at all represent an average typical budget, for otherwise the clerks would invariably constitute a burdensome class and an economic loss to the country, producing less for society than it consumes.

The Urban section has some other inquiries in view, such as the "Cost of Education in the Punjab", and "The Decay of the Sugar Industry in the Jullundur Doab" which have already been referred to above. When the Board finishes all such inquiries it will have a store of useful facts and figures together with a number of suggestions for improvement and better organisation, in general, of the various aspect of our social life.

Our first and foremost object is to familiarise ourselves, in as many details as possible, with the ways and means of living in those places and of men in those occupations which have hitherto been somewhat in the dark for us. When once such a familiarity is gained our reforms and all our changes in the administration of the people will have no chance of adversely affecting any class of people, rather, they will always tend to ameliorate the condition of the lower strata of our society. In these days when social and especially economic science has enlightened us on many points which were erroneously interpreted in the past we know full well that to help one class of people (the rich) at the risk of inflicting a loss and hardship on the other (the poor) is to put the country back by a number of years, and to

introduce a change or a reform which improves the condition of all, by a measure however small, is to increase enormously the prosperity of the whole of society; not only this, but we know further that to protect the poor at a small sacrifice inflicted on the rich is also to enhance social well-being.

Thus this work that the Board is doing, work that will result in the betterment of the majority of the backward class, is necessarily one which promises to do immense good, not only to their own Province, but also to the whole country. Let us wish the Board all success, and hope that other Provinces will soon follow in the foot-steps of the Punjab.

REVIEWS OF BOOKS

RELATING TO INDIA

History of Indian Tariffs By N. J. SHAH, PH D., (Lond.) Published.
BY THACKER, & CO., Bombay: 1924. Pp. XIX, 433: Rs. 7-8. net.

History of Indian Tariffs unlike many a recent publication on Indian economic conditions, is a work of real scientific merit. The author states his facts with clearness and brevity, and draws his conclusions free from political bias, and this is one thing that distinguishes him, more than any other, from other well-known writers on the allied topics. In a subject like Indian Tariffs wherein politics have by no means played an insignificant part, especially after the eighties of the last century, it is very creditable indeed for the author to have maintained his balance of mind and not to have lost his real purpose—the elucidation of the History of Indian Tariffs during the Moghul and the British periods.

The book is divided into ten chapters. Chapter I deals with the Tariff system under the Moghul Emperors. Here the author very clearly brings out the aim of the rulers to secure for their luxurious Courts such costly products of foreign countries as wines, horses, precious stones, high class woollens and silks by offering preferential treatment to foreign trading companies. Chapter II deals with the period from 1765 to 1863. Here the various attempts made by the East India Company at reconstruction of land customs to suit their ends are described. Chapter III deals with the latter part of the government of the Company in India and the various reforms introduced by them to secure uniformity of tariffs in the various provinces of India leading to the abolition of inland duties. Chapter IV covers general considerations and circumstances that influenced the British administration in India in the formation of their customs policy. In chapter V tendencies towards the establishment of free trade in India are given. In chapters VI and VII the cotton duties controversy leading to the establishment of free trade system are detailed. Chap. VIII gives the history of tariffs from 1896 to 1922. In chap. IX the problems arising from the multiplicity of political frontiers in relation to inland trade are discussed. Here the attempts of the British Government to realize economic and commercial union with the native states of India are described. In the concluding chapter X the rise and progress of fiscal autonomy is discussed, and the constitutional changes leading to the measure of fiscal autonomy that India has now got are given in detail.

This should give us some idea of the contents of this very interesting and instructive publication, which combines in itself, as we have mentioned above, almost all the merits of a scientific exposition, and that in a subject full of many alluring pitfalls to a nationalistic mind, in full sympathy with the national aspirations of the present Indian generation. But our author's love of his country does not make him run riot with his imagination.

B. G. BHATNAGAR.

Groundwork of Economics. By RADHA KAMAL MUKERJEE, M. A., PH.D., Published By MESSRS. LONGMAN, GREEN, & CO., Pp.VIII. 217.

"This book" as the author mentions in his Preface. "is intended as a text book adapted to prepare Indian students for the degree courses in Economics. Its scope and method are determined accordingly". We agree with the author that there is in India a very urgent need of a suitable text book on Economics—a book that would present the essentials of the science in simple easy language, illustrated and explained in terms of Indian economic phenomena. A publication of this nature must necessarily satisfy two conditions before it can with confidence be placed in the hands of beginners for whom it is intended. First it should give clear, concise and widely accepted statement of technical terms and theories in Economics, secondly it should explain and illustrate these and then weigh them in terms of Indian economic conditions. Dr. Mukerjee's book is very weak indeed when judged from the double standard set up above. True he has given a mass of facts and figures about India but they are not arranged in that logical sequence which his aim as disclosed in the Preface would make one hope to find. Either the statement of theoretical concepts is absent, or if it is given, it is generally loosely stated. Thus in Chapter III page 17 we have the idea of Capital conveyed in the following words: "All living organisms store up food and energy in their cells. Where nature is niggardly there is a specialisation of organs for the storing up of the elemental needs of life. *Here we see the formation and employment of capital in its simplest form as food hoarded up for future consumption.*" Surely even in its simplest form and in the most primitive societies one could find a better illustration to convey the correct concept of the word capital as understood in Economics.

This much for the general claim of the suitability of the book as a text-book for students going up for the degree examinations. Now for the book as it is—a general treatise on Economic facts and problems in India, with the views on them of an essentially dynamic mind. As such, we welcome

it as an addition to our all too scanty stock of books on the subject, and that in a form at once up-to-date and refreshing. Conceived in this light we have very great pleasure indeed in recommending it to the most careful perusal of our old and young students of the subject.

B G. BHATNAGAR

REVIEWS OF BOOKS

ENGLISH & FOREIGN

The Ethics of Co-operation: BY JAMES H. TUFTS *Houghton Mifflin Company, Boston, 1918. Pp. 72. Price, 75.*

This little book is one of a series of publications designed to contain essays by representative scholars and men of affairs dealing with the various phases of the moral law in its bearing on business life under the new economic order. These lectures were first delivered at the University of California on the Barbara Weinstock foundation by the author, who is the professor of philosophy in the University of Chicago.

The author deals not so much with the economics as with the ethics of co-operation in this little volume. The author traces at first show the power of associated effort was first realised in military, political, and religious organization and then slowly manifested itself in other forms of human activity. The Industrial Revolution, for instance, with division of labour, brought together massed bodies of men and their resources into a large number of different units for exploiting and controlling the material heritage of man. Free trade again is only another form of international co-operation and is one of the best symbols of associated human effort.

Co-operation, the author points out, is mutual dependence. It implies some sort of equality, some mutual relation, but—and this is the most important thing to remember—it does not exclude difference in ability or in function. In order to realise the full value of co-operation, men divide themselves into distinct social groups—large or small—and in some cases we achieve co-operation only through competition. But competition may be either social or anti-social. One of the best illustrations of social competition—leading to ultimate co-operation—is clean sport. One of the worst forms of anti-social competition is competition between parties who are unequal—not merely in their abilities but also in their opportunities. The author points out (p. 45) that this anti-social competition leads to inequalities of distribution and this is one of the great defects in our economic order, for which, in spite of various socialistic schemes, we have not yet been able to find a safe, certain, and stable remedy.

This co-operation and competition assume multiple forms and manifest themselves especially in the sphere of international politics. The great obstacles to international co-operation, the author points out, are :—

Firstly, the survival of the old principle of dominance, showing itself in an unlimited desire for political power and prestige and in certain peculiar conceptions of national honour;

Secondly, the principle of non-social competition, exhibited partly in the political policy of eliminating weaker peoples and conspicuously in foreign trade when the use of unfair methods relies upon national power to back up its exploitation or monopoly.

The author discusses briefly the League of Nations and pertinently remarks that the only League that can be trusted by peoples willing to live and let live is one that is controlled by a co-operative spirit. "Democracy here is not safe without democracy there" (p. 66) "Plague, anthrax, yellow fever cannot exist in one country without harm to all. Nor in the long run can men reach true co-operation so long as China and Africa are a prize for the exploiter rather than equals in the market" (p. 65.)

The book gives us a highly philosophical discussion about the ethics of co-operation and it will be read with a good deal of interest and pleasure.

B. M.

CURRENT NOTES

REVIEWS

We regret greatly that although a large number of books have been received for review and sent out to reviewers during the past year, we have only received about one-quarter of the reviews, in spite of reminders. We are now asking our reviewers to return the books. We can only account for the difficulties we have experienced by supposing that all the teachers of economics in India are sadly overworked. In some cases staffs are too small, in other cases important research work has been undertaken, and no one can doubt that the problems crying out for research in India are enough to occupy all of us for many years. This year there have been long questionnaires to answer for the Economic Enquiry Committee, the Taxation Committee, the Currency Commission, and the U. P. Co-operative Committee, and moreover two of our editors have been out of India for a number of months.

We wish to call the attention of our readers to a novelty in the line of book reviews. The Pollak Foundation has just issued a book entitled "PROFITS" by Foster and Catchings (Houghton Mifflin Company) and have offered a prize of five thousand dollars for the best *adverse criticism* of the book received by them before 1st January 1927. Here is an opportunity which we hope many of our readers will take. We should be glad to publish reviews of this book of more than the usual length. The subject is of such great importance and has been so differently handled by every new writer on the subject that we do not wonder that such a prize is offered, if only to gain some consistency among writers, and to save us all from hopeless confusion.

CONDITIONS OF THE PRIZE CONTEST

For the best *adverse criticism* of this book, five thousand dollars will be awarded.

This contest is open to every one, every where. No one need buy a copy of the book in order to enter the contest, as it may be examined at public libraries.

The Judge are:

Owen D. Young, Chairman of the Board of Directors of the General Electric Co.

Allyn A. Young, of Harvard University, President of the American Economic Association.

Wesley C. Mitchell, of Columbia University, Director of Research, National Bureau of Economic Research.

The judges have no right to withhold the prize. It will be awarded for the best essay, regardless of its merits.

The judges alone will determine what constitutes the best criticism.

Although the Judges will consider matter as far more important than form, good English and agreeable style and economy in words will add to the merits of the essay.

Essays must be in the English language. There are no regulations as to length or method of treatment.

Essays should be signed only with an assumed name, and a sealed envelope should be attached to each, containing the real name and the assumed name of the writer.

Essays must be sent by 1st January, 1927, to the

POLLAK FOUNDATION FOR ECONOMIC RESEARCH

Newton 58, Massachusetts.

There are no other conditions.—

CORRECTION

We regret that due to an oversight a mistake in *numbering* occurred on the cover of the *July 1925 issue* of the Journal. Instead of Vol. VI Part 2 please read *Vol. VI Part 1*.

RECENT PERIODICALS

(Specifically Economic Literature is not included in this List)

INDIAN.

THE AGRICULTURAL JOURNAL OF INDIA

VOL. XX PART I.

Research Work on Animal Nutrition in India.

By P. E. LANDER, M.A., D.Sc., A.I.C.

Present-day Problems in Crop Production.

By E. JOHN RUSSELL, F.R.S.

The Practical Aims of the Diary Farmer. By JAMES MACKINTOSH, O.B.E., N.D.A.

VOL. XX PART II.

The Technological Research Laboratory of the Indian Central Cotton Committee.

VOL. XX PART III.

The Burma Agricultural College and Research Institute, Mandalay.

Development of Agriculture in India.

By R. S. FINLOW, B.Sc., F.I.C.

Sugar-cane Breeding in India—Hybridization to Testing.

By RAO SAHEB T. S. VENKATRAMAN, B. A.

Wheat Harvesting Experiments at Lyallpur.

By D. P. JOHNSTON, A.R.C. Sc. I., N.D.A.

Possibilities of Producing—Long-stapled Cotton in India. By G. L. KOTTUR, M. AG.
Two Valuable Fodder Trees.

VOL XX PART IV.

Some Recent Advances in the Protection of Cattle and Other Animals against Disease
—Papers from the Imperial Institute of Veterinary Research, Muktesar, I

Some Aspects of the Utilization of the Underground Water of India.

By G. S. HENDERSON, N.D.A. N.D.D.

The Effect of Grass on Trees.

By ALBERT HOWARD, C.I.E., M.A.

VOL. XX PART V.

Cotton Legislation.

Breeds of Indian Cattle. I—The Scindi Breed

By W. SMITH.

The Influence of a High Grade Bull on a Dairy Herd.

By G. S. HENDERSON, N.D.A., N.D.D.

Sugar-Beet and its Possibilities in Bihar.

By PHANI BHUSAN SANAYAL, M.Sc.

Agricultural Research in Relation to the Community.

By SIR DANIEL HALL, K. B. S., F.R.S.

THE WEDNESDAY REVIEW.

FEBRUARY 11th, 1925.

The Gold Standard—Inflation in America.

25th FEBRUARY, 1925.

Railway Branch Lines : The New Policy.

29th APRIL, 1925.

Sir Valentine Chirol on Indian Labour.

6th MAY, 1925.

Railway Branch Lines and the Local Bodies.

3rd JUNE, 1925.

Railways and Company Management.

10th JUNE, 1925.

*Unemployment in India.**Rural Education in India.*

17th JUNE, 1925.

*The Russian Soviet and India.**Indian Rural Life (A Suggestion for An Inquiry).*

29th AUGUST, 1925.

Rural Water Supply.

21st OCTOBER, 1925.

Co-operation Between Railway Administration and Public Bodies.

28th OCTOBER, 1925.

Construction of Branch Lines of Railway.

4th NOVEMBER, 1925.

*Colonial Antipathy to Indians.**Political Stability Essential For Economic Progress.*

SERVANT OF INDIA

JANUARY 22, 1925.

Indian Economic Conference—Some Impressions

BY ONE PRESENT.

FEBRUARY 26, 1925.

Labour Conditions on the Jharia Coalfield

BY REV. WILLIAM HAMILTON, M.A.

MARCH 12, 1925.

*Abolition of the Cotton Excise Duty.**The Indian Trade Unions Bill—II.*

BY PROF. D. G. KARVE.

MARCH 19, 1915.

Conditions in Fiji.

BY A. W. MCMILLAN, FIELD SECRETARY, Y. M. C. A.

The Indian Trade Unions Bill—III.

BY PROF. D. G. KARVE

Cotton Industry in India—I.

BY "SOCIAL SERVANT".

MARCH 20, 1925.

The Indian Cotton Industry—II.

BY "SOCIAL SERVANT".

APRIL 9, 1925.

*The Present Problem in Indian Currency—I.*BY B. R. AMBEDKAR, D. SC.
(ECON).

APRIL 16, 1925.

*The Present Problem in Indian Currency—II.*BY B. R. AMBEDKAR, D. SC.
(ECON).

APRIL 30, 1925.

The Progress of Co-operation.

MAY 14, 1925.

*The Colour Bar in S. Africa.**France and Colour.*

MAY 28, 1925.

*Indian Stores Department.**Agricultural Operations in 1923-24.*

BY S.

JUNE 11, 1925.

Co-operative Societies in the Punjab.

JUNE 18, 1925.

Mr. Joshi at Geneva.

JUNE 25, 1925.

The Population of the World.

JULY 2, 1925.

Indians Abroad.

By J. B. SEN

JULY, 1925

A Call from Fiji.

By REV. A. W. MACMILLIAN.

JULY, 25, 1925

Improvement of Poultry Report.

By MRS. A. K. FAWKES, SECRETARY, U. P.
POULTRY ASSOCIATION.

JULY 29, 1925

Occupational Risk in Workmen's Compensation.

OCTOBER 22, 1925

Economics and Ethics.

By H. C. E. ZACHARIAS, PH.D.

Statistics of Indian Labour in F. M. S.

OCTOBER 29, 1925

Labour.

By DR. H. C. E. ZACHARIAS

NOVEMBER 5, 1925

Labour and Housing in Bombay.

By N. M. JOSHI, M. I. A.

Democracy in Industry.—LV.

By DR. H. C. E. ZACHARIAS.

Land Reform in Central and Eastern Europe.

By J. B. SEN.

NOVEMBER 12, 1925

The Wage.

By DR. H. C. E. ZACHARIAS.

Land Systems in Central and Eastern Europe.

By J. B. SEN.

The Race Question.

RECENT PERIODICALS

FOREIGN

POLITICAL SCIENCE QUARTERLY

SEPTEMBER 1925, VOL. XL NO. 3

Neo-Classical Economics in Britain.

By J. A. HOBSON.

THE CHINESE SOCIAL AND POLITICAL SCIENCE REVIEW

JANUARY, 1925 VOL. IX NO. 1

Reconstruction of the Chinese Rural Elementary School Curriculum to meet Rural Needs in China.

By DR. PAUL C. FUGH.

International Labour Organization.

By P. E. HENRY.

The Fundamental Causes of the Recent Economic Crisis in China. BY DR. YIN-CH'U MA

JULY, 1925—VOL. NO. 3

Recent Tendencies in Chinese Education.

By PROF H. C. MENG.

Reconstruction of the Chinese Rural Elementary School Curriculum to meet Rural Needs in China (continued).

By DR. PAUL C. FUGH.

OCTOBER 1925—VOL. IX NO. 4.

Reconstructions of the Chinese Rural Elementary Schools Curriculum to meet Rural Needs in China (continued).

By DR. PAUL C. FUGH.

THE GEOGRAPHICAL REVIEW

JANUARY 1925—VOL. XV NO. 1

The Distribution of Population in China: Economic and Political Significance.

By PERCY M. ROXBV.

APRIL 1925—VOL. XV NO. 2

Looking Back at Malthus.

By MARK JEFFERSON.

INTERNATIONAL REVIEW OF AGRICULTURAL ECONOMICS

JANUARY—MARCH, 1925—YEAR III NO. 1

Leisure Time Occupations in the Country.

By M. BEAUFRETON.

Recent Agrarian Policy in Italy and the Problem of Latifundia. By G. LORENZONI

APRIL—JUNE 1925—YEAR III NO. 2

Indian Irrigation and the Punjab Canal Colonies.

By D. N. BANNERJEA.

NATIONAL MUNICIPAL REVIEW

JANUARY, 1925—VOL. XIV NO. 2

A World Bureau of Municipal Research.

By CHARLES A. BEARD.

American Influence on Municipal Government in the Orient. By CHARLES A. BEARD.

FEBRUARY, 1925—VOL. XIV NO. 2

Municipal Government in the United States: Some Impressions. By I. G. GIBBON.

INDIAN JOURNAL OF ECONOMICS

Vol. VI—Part 3

PAPERS READ

AND

DISCUSSED

AT THE

NINTH CONFERENCE

OF THE

INDIAN ECONOMIC ASSOCIATION

THE NINTH SESSION OF THE INDIAN ECONOMIC CONFERENCE was opened by His Excellency Viscount Goschen, Governor of Madras, at 12 noon in the Convocation Hall, University of Madras, in the presence of a large and distinguished gathering of ladies and gentlemen.

On arrival His Excellency was received by Sir R. Venkataratnam Naidu, Chairman of the Reception Committee, Dr. Krishnaswami Aiyangar and Messrs. Gopala Menon and Lokanathan (Secretaries), and conducted to his seat on the dais. Sir R. Venkataratnam Naidu then began the proceedings by his Address of Welcome

T. K. Duraswami Aiyar
Hony: Local Secretary.

ADDRESS OF WELCOME

BY

SIR R. VENKATARATNAM NAIDU

His Excellency having taken his seat on the dais, Sir R. Venkataratnam Naidu, Chairman of the Reception Committee, delivered the following Address —

Ladies and Gentlemen,

According to the circulated scheme, the first item is named as the Welcome Address of the Chairman of the Reception Committee. Were it not for the kindness and the very friendly sentiment on the part of the Reception Committee, I should have considered it almost a solecism to give that grand name of 'address' to the few simple, plain, though at the same time very hearty words of welcome which alone I have stipulated for and which alone are possible for me with my very limited powers.

I do not profess to have the qualifications necessary for the purpose of the Conference. But the Reception Committee have done the honour of electing me as its Chairman, a favour which I highly prize, chiefly, if not wholly, on the count that it has brought me the high privilege and the sincere pleasure of according a most cordial welcome to the members of this distinguished assembly. My knowledge of either the principles or the practice of the Economic science is something which charity alone would call rudimentary. However it had been said that there was no observant man but was a physician because of the fact that he had visited a number of patients. So also I have a claim to call myself an economist because I have also observed many famines and visited the abodes of many poor people. However, I am keenly alive to and gratefully appreciative of the honour that the Conference have done to Madras by fixing upon Madras as its meeting place for the second time after an interval of five years.

With distance abridged, with facilities ever easy, with difficulties of linguistic differences being minimised by English being accepted as the *lingua franca*, with education rapidly spreading, with our

outlook thus enlarged, there have naturally sprung up many institutions of national moment, and amongst such institutions, a very high place of distinction is due to the Indian Economic Conference

As I have already confessed my utter ignorance of Economics, I will not presume to discuss or to pronounce an opinion on any question connected with the Economic science. But I may be permitted in my own simple way to enumerate a few instances and happenings that in my belief are of interest to the Conference, since the great learned body last met at Madras.

Since that time as every one is aware, the Reforms have been endeavoured to be put into practice, and one of the reforms sought to be achieved have been the re-organisation of the Madras University. This attempt of the re-organisation of the University has two great objects in view. The first is to make the University of Madras, within the limits of the University, in an increasing measure a teaching body, and secondly, as regards educational regions outside the limits of the University area, it is also intended to foster the growth of certain University centres that would prove the nuclei for other Universities. Endeavours have been made and will be continued to be made to achieve an extensive and vigorous University extension. One of the earliest institutions of such University extension is the establishment on a permanent basis of the Economics Department of the Madras University. I am sure, this is a fact that is gratifying to the hearts of all students of Economics. The Economics Department of the Madras University, managed by some very ardent and intelligent workers, has at its head a student and teacher of Economics of all India reputation. I mean Dr. John Matthai. This Department has been working in three directions. It has been endeavouring to carry on research in several important aspects of economic science both as regards the theoretical principles and in the matter of the practical applications of those principles. Secondly, the University Economics Department has been for some time training a fairly large class of students for diploma examination conducted by the University itself. Thirdly, the staff of the Economics Department has, with the sanction of the University authorities, assumed the whole responsibility for teaching

students for the Honours Degree within the University area so that the three Colleges in Madras may send their students to the Senate to be trained by the members of the Economics Department. In this connection I have to say that the whole responsibility should not be shouldered by the University itself but that the respective Colleges should share their own part as well. Then again the University has for some years past recognised the distinction between History proper and Economics so that the courses for the B. A. Hons., is different in History and Economics.

I am glad to say that His Excellency's Government has been keenly interesting itself in certain aspects of the economic life of the community. There are certain scholarships for overseas training awarded by Government to some promising young men receiving advanced education in industries for whom it is believed there will be an opening on their return to India. Arrangements have also been made for awarding scholarships to promising young men to study certain branches of Economics in its practical applications in Bombay and other places. The Development Department has started many Co-operative societies in all districts and the operations of the Co-operative societies are being carried on vigorously for the amelioration of the economic need of the rural population. Closely akin to this are the activities of the Labour Commissioner whose Department also has been considerably enlarged and strengthened so that in every district there is a Labour Officer to promote the welfare, educationally and economically, of the Depressed Classes.

I must now refer to the State-aid to Industries Act by which many infant but promising industries are being fostered. And I must also refer to the formation of benevolent organisations in rural areas to afford medical relief, and to the Health Committees which vigorously spread information in regard to the sanitary and economic conditions. Economic interests of the community are being furthered both by the academic studies of the University and by the administrative activities of the Government. The Religious Endowments Act has its own bearing upon the economic condition of the people.

I also wish to mention here the recognition of Government through the Ministry, that education imparted to the members of the community from the elementary stage upwards should always have a close touch with the economic needs and welfare of the community. There are committees that are working to re-organise Secondary education in order to afford to every student opportunities to develop his faculties as a citizen and a worker.

There is a programme of compulsory elementary education so revised and recast as to give it not merely literary but also an economic value.

As principles and ideals of democracy pervade I am sure the centre of gravity is sure to be shifted from politics to economics. Then the economists will have to consider the reconstruction of the old shibboleths of 'Land, Labour, and Capital' as the basis of prosperity. Labour must be done in the light of service and while capital will continue to be essential, yet as Ruskin has once said, the capitalists shall become the captains and the directors of industries. Thus there is need for revision of old ideas. When this new departure is made, the fact should be borne in mind that, as Dr. Radhakamal Mukherji said, "Economics is concerned with the whole cycle of human life," then they will recognise the force of Ruskin's aphorism, that there is no wealth but life.

India has a right to expect and to evolve an Indian School of Economics based on the principle of "Ekam Sath," meaning that all life is one. If this truth comes to be recognised, there can be no conflict between man and man, and there will be only unity. To such a state of economic federation of humanity man will grow step by step and stage by stage. When such a stage is reached all men will work in universal brotherhood.

I now thank you once again for having elected me as the Chairman of the Reception Committee, and welcome the delegates heartily. I also thank His Excellency for having consented to open the Conference.

H. E. THE GOVERNOR'S SPEECH

His Excellency the Governor in declaring the Conference open delivered the following speech :

I esteem it a great privilege to have been invited to open this Session of the Economic Conference and to be associated in however small a degree with your deliberations, the object of which, I take it, is to consider how you can make the world a better place for your fellow creatures to live in. You concern yourselves with matters of vast importance in the life of nations and if by your labours you can help to solve any of the pressing economic problems with which we in India are faced to-day, then you are rendering great service to your country and her vast population. In the complex conditions of modern civilization in which we now live economic problems are becoming daily more acute, and it is, I think, true to say, that economic interests now govern the life and determine the policy of nations to a greater degree than any other force. This, I believe, has become more and more evident since the days of the Great War which brought all the peoples of the world face to face with economic puzzles to an increasing degree. I would ask you to consider some of the major questions which are exercising our minds to-day, and you will find that many of them are largely economic in nature and origin. I would instance in particular the problem of the Indians in South Africa and the proposed legislation of the Union Government. It must be clear to any one who views this question in a dispassionate way—and that is what I ask you to do to-day—that whatever may be the opinion which we hold of the proposed legislative action the real problem is an economic one. It is a conflict of standards of living, and must be regarded as such, and the solution of this thorny question can, I think, only be found if we approach the problem from the right angle of vision. The problem may be obscured or embittered or even rendered incapable of solution by the introduction of other considerations ; but those who know how largely this issue of the standard of living has figured in post-war reconstruction and economic controversy down to the recent strike of cotton operatives in Bombay will not readily minimise its importance. I have not the time nor would it be

proper for me to attempt a discussion of this difficult matter on such an occasion as this. I merely refer to it as an example of how widely the economic factor operates and how important is a right understanding of the part which it plays in influencing and guiding the policies of nations.

Here in India where industrial civilisation is less advanced and conditions perhaps less complete than in other parts of the world, we are faced with economic difficulties none the less imposing nor less urgent in their demand for solution. In this country with its teeming population of which a vast number live near the margin of subsistence, our first and most insistent economic necessity is, therefore, to ensure production to keep pace with the increasing population, so that the existing standard of living may, at least, not be lowered. We are concerned, therefore, to discover by what means we can develop the resources of India which may enable us to support and find food for its numerous peoples. We know that for very many the standard of living is and always has been so low that life's main interest is in the means to maintain life. Their principal mental exercise is speculation as to where the next meal is to come from. Any reduction in that standard must produce grave administrative and political dangers. It is useless to tell a man to be a good and loyal citizen when he and his family are crying for food. It is useless to make speeches and pass laws for his guidance if destitution makes him incapable of appreciating or taking advantage of measures intended for his moral and intellectual benefit.

But it is not sufficient to maintain the existing standard, the inadequacy of which not only seriously, as I have said, hampers the State in all its ameliorative activities, but greatly embarrasses this country in its relations with other communities. We must, therefore, seek to raise that standard, the greatest of all problems, which is our concern to-day, and also to teach the industrialist how to develop the natural resources of this great country, and the farmer to extract the maximum return from his land. By so doing they will not only be contributing to their own material benefit but the results will permeate to all classes of the community, and the larger share of increasing abundance, which will fall even to the poorest

classes, will accustom them to an improved standard of living with all which that implies. There is no reason to suppose that the Indian people will show themselves less tenacious of an improved standard to which they have once become accustomed than the people of other countries. It is with such matters as these that I believe your Conference will be dealing this week. You have therefore undertaken a great responsibility, and I trust that under God's Providence you may by your deliberations contribute something to the solution of India's most pressing problems.

I have referred to the need for enlightening the farmer and the industrialist to enable them to increase production. To the interests of the industrialist and the means whereby India's industries may be fostered and developed, the Government of India and Local Governments have of late devoted much energy, time and money, and only those in whose eyes the Government can never do right would impute a failure to appreciate the importance to India of her industrial potentialities. But India is and must remain primarily an agricultural country and I venture to think that in the zeal for developing her industries there has been a tendency in some quarters to overlook the crying need for improving and modernising her methods of farming so that the productivity of her soil may approach more nearly that of other countries which have learnt the value of scientific and up-to-date methods. I have reason to believe however that even more strenuous efforts are about to be made to cope with this great agricultural problem to wean the ryot from his conservatism and to disturb his contentment with the primitive device of his ancestors, so that he may learn by example the value of scientific farming. Much has been done but very much more may be done in this direction by co-ordinated effort, by demonstration and by affording facilities for obtaining the credit which is necessary, if the small farmer is to make anything of his holding. The farmer in the West is credited with a proverbial discontent, which a humorous poet has described as follows—

"The farmer will never be happy again,
He carries his heart in his boots,
For either the rain is destroying his grain,
Or the sun is destroying his roots."

What is true of the climate of the West is even more applicable to that of the East. It might be well if more of this discontent, not with the weather, but with his antiquated methods could be imparted to the Indian ryot, so that he could be induced to seek the means to improve the productivity of his land. In this crusade which I hope sincerely to see undertaken ere long, it will need the combined efforts of all of us to overcome the great difficulties which have to be faced in the conservatism of the ryot his lack of credit and the smallness of his sub-divided holdings. To deal successfully with the first of these obstacles it will be necessary to invoke the aid of public spirited citizens, men of influence and position, more especially the big land-holder who could do much by example and demonstration to teach the value of up-to-date and scientific methods. For a partial solution of the credit question we may perhaps look to the development of Co-operative Banks, which are already doing something to meet this difficulty which confronts the small farmer in India. Increased productivity must however be the main foundation of improved credit. The 'fragmentation of holdings' as it is termed and to which I have referred is a real and pressing administrative problem. But it is engaging the attention of economists like yourselves and we need not despair of some practical solution being found.

I have kept you, gentlemen, too long already from your deliberations, but I have endeavoured to show how much importance I attach to the matters with which your Conference will be concerned and which you will, in the future, be considering. I wish this Conference all success and pray that by your efforts you may contribute materially to the progress and development of this country and to the happiness and well being of her peoples.

INDIAN FINANCIAL STATISTICS

BY

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The Economic Enquiry Committee that recently submitted its report classified the statistics of the country under three groups and placed those relating to Public Finance in the 1st group for which fairly complete statistics are available. They remark that the statistics relating to Public Finance, Population, Trade, Transport, etc., are fairly complete while those relating to Production, National Income, Prices and Wages are far from satisfactory. This, in the main, is due to the fact that the economic organisation of India is still largely mediæval. Advanced countries of the present day have organised statistics of production, prices, wages and national income on a more or less satisfactory scale. It will not be surprising that our organisation of the statistics of production, national income, etc., is very backward when the conditions of the problem are realised. Only 7 per cent. of the population is literate, 90 per cent. is living in villages, organised industries are rare, the bulk of the agricultural production comes under petty farming and the methods followed are largely traditional. In these conditions it is difficult to collect statistics of production that are reliable. The margin of error is likely to be so large that the statistics will not be worth much. Statistics relating to Public Finance, Railways and International Trade stand on a different footing. The administration of the country derives its motive force from a corps of officers drawn from a country which occupies the front rank in matters of trade, industry and commerce, and whatever lines of activities are most important from the administrative point of view and lend themselves to the organisation of statistics bearing on them have received particular attention.

In this study we shall be concerned with Financial Statistics. It has been remarked that the real touchstone of second finance is whether it tends to promote the welfare and happiness of the

people. Under a democratic government the need for a widespread knowledge of finance is great. To help the formation of sound public opinion on finance nothing is more important than that the statistics relating to it should be presented in a clear, simple and intelligible form. This need is all the greater since democratic forms of government are being introduced in the country and powers of taxation and expenditure in a considerable degree have been conferred on popular bodies. The Constitutional Reforms of 1919 have increased the numbers of the legislative bodies of the Central and Provincial governments and nothing conduces to good government more than the fact that the legislators should be clear and confident as to what they are talking about. The complexity that marks the financial transactions recorded in the Budget and Finance and Revenue Accounts is so great that the Government will be well advised in taking steps to help the tax payers to have adequate notions of the financial operations of government. There will be ample compensation for the labours of government in this direction, in the helpfulness of the suggestions that would come from non-official benches as a result of more satisfactory knowledge. The government, therefore, will do well to appoint a special officer of great ability to prepare a guide book to the Financial Statistics of the Government of India.

In many ways the Financial Statistics of India are more complex than those of England. The reasons for the complexity are many. The most important obstacle to a clear comprehension of the financial condition is the difficulty due to the rupee exchange. There are many important transactions between India and England and funds have to be transmitted backwards and forwards. Another cause of complexity is due to the fact that the Government of India performs functions which in other countries are left to private or quasi-public agencies. It is the owner of a vast property in the shape of Railways and Irrigation Works on which about 730 crores of rupees had been invested on capital account up to the end of 31st March, 1922. The financing has been effected by a recourse to the London and the Indian money markets. We have, therefore, to take into account sterling loans as well as rupee loans. It can be easily realised that financial responsibility for such a vast property will involve intricate financial transactions of a recurrent character. The

Government of India carries on banking transactions on a large scale, holds the balances of the Provincial Governments, makes loans to them, etc. There are a number of provincial administrations and the financial transactions between the Central and Provincial Governments form another source of complexity. There are three Reserves to be dealt with, the Treasury Balances, the Paper Currency Reserve, and the Gold Standard Reserve. These Reserves are split between England and India; not only are their funds remitted to and from between India and England, but the funds from one Reserve are passed through another Reserve. The significance of such transactions will be realised when it is seen that the Gold Standard Reserve contains about £40 million of securities, the Treasury Balances contain normally in India and England together about 30 crores of rupees and the gross circulation of notes comes to about 190 crores. Transactions relating to these Reserves constitute another source of complexity. Though the per capita revenue and expenditure of India is small the complexity of the accounts is very great on account of the causes already mentioned. Lord Curzon remarked that the Financial Statistics of the Government of India puzzled him. A student of Indian Finance is not less perplexed by the complexities of the Finance and Revenue Accounts at the present day.

It may, however, be mentioned that the statistics of the Government of India are being improved. The deficits against which the Government in India had to struggle from 1918-19 to 1923-24 and the heavy taxation resorted to for balancing budgets have made the tax payers very critical about expenditure. The unproductive debt of the Central and Provincial Governments increased from an insignificant figure in 1915 to over 258 crores at the end of 1923-24 involving for the tax-payers a heavy burden. In these circumstances the Government was subjected to severe criticism when projects for increased taxation came before the legislatures. For instance, when the Government brought forward proposals for increasing the postal revenues, they had to explain to the representatives of the people how the postal and telegraph department could not be self-supporting on the existing basis of postal charges. The system of commercial accounting has been adopted and capital expenditure has been separated strictly from revenue expenditure. The line was

not also clearly drawn in the past between capital and revenue expenditure in respect of Railways and the commercialisation of Railway accounts has also now been carried out.

Any student of Indian Finance is struck by the fact that more than any other factor the condition of the rupee exchange complicates the financial transactions. Between 1899 and 1917 the rupee exchange was steady at 1s. 4d. except for a short period in 1907. Since 1917 the fluctuations in exchange have been bewildering and the student of Finance has been led into a labyrinth of difficulties. While studying the Indian Budget of recent years one regrets very much that, while the Silver Standard was given up, an effective Gold Standard had not been introduced relegating the rupee to the position of a token coin without its being full legal tender.

From 1919-20 onwards the gains and losses from exchange assume large dimensions. It was due to the large disparity that came to exist between the market rate of exchange and the rate which was taken for the compilation of the Government accounts. The huge figures into which the so-called gains and losses from exchange ran tended to obscure the understanding of the budget and the real nature of the financial position. There is a good deal of artificiality about what is referred to as gain or loss on exchange. In most cases it was only a matter of account. In some cases there was a real gain or loss. Since India has normally to meet expenditure in England in sterling on Revenue Account to the extent of about £30 millions and since Indian revenues are collected in rupees the transmission of funds from India to England costs less in rupees when the market rate of exchange is above the official rate and more in rupees when the conditions are reverse. For instance, the Government can remit one million pounds to England by parting with one crore of rupees if the market rate stands at 2s.; in the books of the Government of India the one million pounds in England will be considered equivalent to one and a half crores of rupees, the official rate being, 1s. 4d. The half a crore is treated as gain from exchange. It will be clear that it only means that India has had to part with half a crore less for getting a million pound sterling because the effective rate of exchange was 2s. the official rate being 1s. 4d. Such gain accruing in connection with funds actually remitted to meet sterling obligations in

England may be considered a real gain. Even in respect of such a gain there is an element of artificiality since it only requires that the official rate should be 1s. instead of 1s. 4d. for the gain to have been greater still. From the accounts point of view we are justified in speaking of real gain or loss only on condition that the official rate is the steady or normal rate which international conditions will soon restore and the market rate only a passing aberration. As it was, the official rate turned out to be more an aberration from reality than the market rate. In these circumstances the artificiality of gains and losses becomes pronounced. In the sense in which India has to part with less rupees at 2s. market rate than it used to do when the market rate was equal to the official rate of, say, 1s. 4d. by way of meeting her sterling obligations, there is a real gain. The loss from exchange arises when India has to bring back funds at a disadvantage as was the case in 1920 when Reverse Councils were sold. The sale of Reverse Councils resulted in the sterling securities having been sold away and the difference between the valuation of those securities at Rs. 15 per pound and the actual number of rupees realised from the sale of Reverse Councils taking the form of created securities or being met from the Treasury Balances. This kind of loss is different from the book loss which results from a mere re-valuation at 2s. the rupee of the sterling securities actually forming part of the reserve and leading to the issue of created securities. In the one case the loss was outright for the Government and the gain was with the purchasers of reverse councils. In the other case the loss is only a book loss or a matter of account, because the securities remain in the reserve and if sterling later rises in terms of rupees the sterling securities are really equivalent to a larger number of rupees. It is not surprising that the public mind was confused when the exchange on remittance accounts showed the following entries between 1919 and 1923.

In Lakhs of Rupees.				
	1919-20.	1920-21.	1921-22.	1922-23.
Credits	4,322	19	291	83
Debits	3,403	3,580	1,355	533
Net gain by Exchange ..	918	..	..	..
Net loss by Exchange ..	..	3,561	1,064	450
Amounts transferred to various accts. ..	395	753	2,201	2,145
Balance held under suspense at the end of the year ..	523	—2,284	—1,148	547

Speaking in the Council of State on the subject Sir D. E. Wacha made the following remarks, "The whole system of keeping accounts and the method and manner of their presentation are antique and obsolete. It requires to be thoroughly and radically overhauled and some trained man from England strong in modern State Finance is required in order to make a clear statement for the purpose of lucidly presenting the annual financial position. This is the only way we can improve or better the present obsolete and cryptic method." If the market rate about the time of the preparation of the budget had been taken as the official rate for budget purposes the artificiality on any appreciable scale with reference to gains and losses would not have occurred. That step was not adopted. It was felt that the comparison from year to year would have been difficult if a steady official rate was not maintained for the keeping of accounts however much that rate may diverge from the market rate. On account of the artificiality of the official rate comparisons have been rendered very difficult from year to year. If the transactions had been confined to the transmission of funds from India to England to meet India's normal sterling obligations there would not have occurred the huge gains and losses that disfigured the budget and accounts. The Government of India between 1917 and 1921 had to meet large expenditure in India on account of the War Office and payments were being made in England in sterling at the market rate. As long as exchange was above 1s. 4d. when the accounts were being kept on the 1s. 4d. basis, such expenditure on behalf of the War Office resulted in a gain. For instance, when a hundred crores had been expended in India, say, in 1919 on behalf of the War Office and the market rate was 2s. a rupee, in England payment would be made by the War Office of a hundred million pounds. The accounts of the Government of India would represent the hundred millions as equivalent to 150 crores of rupees at 1s. 4d. and 50 crores would be considered a gain. Such a gain is only a book gain because accounts are maintained at an artificial rate of 1s. 4d. If the Government of India uses sterling for purchase of silver for coinage at the high prices ruling for silver there will be a loss. For instance, suppose, on behalf of the War Office India incurs expenditure in rupees which are paid for in sterling at the market rate of say 1s. 8d. while the official account rate is 1s. 4d. When India uses sterling for the

purchase of silver for coinage at a rate equivalent to 2s. for the silver contained in a rupee the whole series of transactions results in a loss for India. One can easily see that such a method of keeping accounts may easily lead to inflation in India. If the sterling was held in the Paper Currency Reserve in England the Government of India for every pound sterling so held in the reserve would issue 15 rupees of notes since the official rate was 1s. 4d. But the Government would be able to remit one pound to England for Rs. 10, the market rate standing at 2s. The artificiality becomes marked as the market rate diverges much from the official rate. In view of the complexity surrounding exchange gains and losses full notes should explain the items contained in the account head "Exchange on remittance account" of the Finance and Revenue Accounts of the Government of India. A memorandum explaining fully the exchange situation and the transactions into which exchange entered between 1917 and 1924 issued under official auspices will throw light on many matters that require illumination and will be welcome to students and publicists.

A number of suggestions may be made with a view to improve in some particulars the presentation of Financial Statistics. The Royal Commission on Indian Expenditure made the following observations regarding the revised budget: "The completed account often varies considerably from the revised estimate. There are thus three statements before the public, viz., the Budget Estimate, the Revised Estimate, and the Completed Account, all of these relating to a single year's finance. Financial Statements issued for general use should be as simple as possible and a number of statements relating to the same period but varying in their figures no doubt tend to embarrass the public." The criticism advanced by the Welby Commission could be met only if the Budget is presented after the close of the official year. Such a step is called for in view of the necessity for simplicity and intelligibility as regards the national accounts.

Figures relating to cost of collection stand in need of improvement. As it is, it is difficult to compare the cost of collection of revenues in India with that elsewhere. It is true that conditions in India differ from conditions elsewhere and therefore such comparisons may not be altogether fair. All the same, there is need

for giving the cost of collection in a manner that will be logical and helpful. In the costs of collection of the principal heads of Revenue are included Registration and Forest charges, costs of production of salt and opium. Such lumping together of essentially different charges is not sound. The costs of production of salt and opium stand on a different footing from the costs of collection, say, of Customs. The expenditure on Registration and Forest cannot be designated as costs of collection. The Government accounts must take into consideration these distinctions and give figures that will be helpful. The true cost of collection of land revenue should also be worked out and shown in Government accounts. Questions are often asked in the Legislative Assembly regarding the costs of collection of the land revenue and discontent is expressed over the heavy costs of collection. Mr. Jacob, Comptroller and Auditor-General to the Government of India giving evidence before the Royal Commission on public Expenditure in India, pointed out that the costs of collection rightly to be debited to land revenue were less than the figures shown in the accounts. He said that sufficient amount was not debited to general administration for services rendered by land revenue officers. In view of the sensitiveness of public opinion in matters relating to land revenue the Government will do well to examine the whole question and arrive at correct figures relating to costs of collection in respect of land revenue.

With the commercialisation of postal and telegraph accounts the charges for pension have been transferred to the postal account from the Superannuation vote about a year and a half ago. It will be a great convenience if the Accounts of the Government show pensions and furlough allowances under the different heads of service to which they belong so that the total cost of each service head may be known. Irrigation works for which no capital accounts are kept show year after year a huge loss. The revenue for 1923-24 was Rs. 31,41,789 and the expenditure was Rs. 1,48,36,637. As a matter of fact the expenditure includes capital expenditure as well, nor is allowance made in the receipts for increased land revenue brought about by the expenditure on such works. The result of such a method of keeping accounts is that the profits from irrigation works as a whole are shown to be less than what they really are.

When comparison is made between the ordinary or unproductive debt in different years allowance must be made for changes of procedure. In the past about 540 lakhs were written off from the ordinary debt and added to the Public Works debt in order to represent the expenditure on reproductive irrigation works incurred before the 31st March, 1867. Again, expenditure on some strategic railways, built on the North-Western Frontier out of the revenues, was later on transferred to the head of railway debt and the ordinary debt was correspondingly reduced. Recently the decision to charge interest on capital expenditure on posts and telegraphs on the revenues from them resulted in about 15 crores being reduced from the figures of ordinary debt. Thus in comparing the ordinary debt of one year with another changes brought about in the system of keeping accounts relating to capital expenditure should be given due weight.

Turning to Statistics of Military Expenditure there is much to be said for charging on the Military Estimates the loss on strategic railways. The observations of the Royal Commission on Indian Expenditure on this head are as follows: "Such Railways are not in any sense commercial undertakings. They form part of the apparatus of defence and together with fortresses should be charged as part of military expenditure."

The annual Statistical Abstract is a very important and useful publication and purport to give us a conspectus of the main statistics with reference to various phases of national economy. The following suggestions are put forward with a view to making the publication more useful to citizens. The statistical abstract of Great Britain and Ireland gives a statement of the taxes repealed and levied over the period to which the abstract relates. Such a statement is very useful to students of Finance and the Statistical Abstract of British India may also furnish us with a handy statement of taxes imposed and repealed. The abstract may also give us index numbers of prices of stock exchange securities so that a clear view of the industrial situation as revealed by the average rise or fall in the price of securities may be presented. The Statistical Abstract may give the information about the total quantity of cloth consumed in India and per capita consumption of it. An estimate could be made of such consumption from the figures relating to the

output of cloth from Indian mills, import of cotton goods and the production from hand-loom.

In every advanced country great attention is bestowed on the proper compilation and preservation of Income-tax statistics. On the basis of such statistics investigations are carried on relating to national income and distribution of wealth among the people. It is true that in India since agricultural incomes do not come within the purview of income-tax authorities the income-tax statistics of India do not stand on an equal footing with those collected in other countries. All the same, greater particulars than are now given should be placed at the disposal of the public through the Statistical Abstract. The total income brought under assessment together with the number of assesseees in different grades should be given. As it is, a single page is given to income-tax in the Statistical Abstract. That head of income fills a much larger place than it did before the war, the revenue from income-tax for 1923-24 being about 18½ crores.

It will be a great convenience if the Statistical Abstract for India gives the figures for net revenue and expenditure for the Central and Provincial Governments, for after all, the net figures really count in so far as the funds for meeting administrative expenditure are concerned.

Every fortnight a statement is issued containing the prices of different commodities. This is helpful to traders in particular commodities. Students who explore the problem of prices have to construct their own index numbers. It is an impossible task and such index numbers if the students make them will not carry authority. It will be a great help if the Government while issuing the fortnightly statement gives index number of prices. Business men and merchants in general will welcome such a guide.

Since the recent Constitutional Reforms the budget of the Government of India contains only the figures relating to the transactions of the Central Government. In the past a full view of the whole financial situation was available when the budget was presented. Public men and students of finance will be considerably helped if in May, every year, a brief conspectus of the main budget figures of the Central and Provincial Governments is made

available to the public. This publication may also contain the actuals of revenue and expenditure of the past financial year since at the time of the presentation of the budget revised figures only of the current year are given. When the rates of taxation are altered the estimates of revenue for such altered taxation and actuals should be given. The difference between the actuals and the estimates may give some indication of the reaction of the change in taxation on consumption. The price index numbers in the Trade Journal are given with July 1914 as the base. Instead the average of the quinquennium before the war may serve as a more appropriate base.

The Imperial Bank in India is a Central Bank and large Government funds are placed at its disposal. Such a bank might issue a monthly bulletin on the model of the Federal Reserve Bulletin and the monthly bulletin issued by the big Joint-Stock banks of England. Our credit organisation is very backward. Habits of thrift ought to be cultivated on a large scale and the habit of depositing money with banks requires to be developed. A monthly bulletin by the Imperial Bank will give not only statistics relating to Production, Banking and Prices in India but also comparative figures of discount, prices, deposits, etc., in other countries. Such a bulletin will serve towards revealing defects in the compilation of Government Statistics and thus improving them.

The Problem of Low Agricultural Production in India*

BY

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One fact that stands out predominantly in the rural economy of India is the poverty of the agricultural classes. Poverty is a phenomenon that is observed throughout the length and breadth of our country. But, perhaps, nowhere is it more pronounced than in the rural areas. This is admitted by all those who have studied the situation without bias; and it denotes a terrible state of affairs. Agriculture is our main and basic industry. On it nearly three-quarters of our population depend for their sustenance; on its produce most of our industry is based and can be based. Rural poverty, therefore, if it continues to exist, will bring about economic paralysis here. Economically, poverty means lack of funds which expresses itself as lack of capital and lack of the ordinary purchasing power. This double lack in whatever country it exists has disastrous effects upon the economic situation in that country. It hinders the economic development of the country, and keeps it far behind in the economic race of the world. It undermines the physique of its people; it lowers their economic efficiency. It makes them economic cripples—a burden upon earth under whose dead-weight she groans constantly.

Poverty in rural India has, to a very large extent, already produced these evil results. A look at our country-side shows their presence quite vividly. The whole atmosphere is one of depressions. There is a sense of all-goneness ruling there. Agriculture is in a moribund state. The cultivators are unable to raise from their fields enough to give them two meals a day. They stick to the methods and crops that have come to them from their forefathers because they cannot improve upon them. They are entangled in the meshes of an indebtedness which they hope will be cleared but which they fear might never be cleared. They drag on an existence which is not worthy of human beings. Dirt and

*Many of the statements made in this paper are not applicable to certain areas of India but to India as a whole.

filth surrounds them. Their physique and vitality have deteriorated a good deal. Their stature is coming down ; one seldom sees these days men and women of the same height one used to see some twenty years back. Their resistability to disease has diminished appreciably. During every epidemic that happens to be on visitation grim death takes a heavy toll of life. The effects on women are particularly serious. They grow old before their time at the age of seventeen or twenty—in the very prime of life—when they have nursed a child or two.

Thus poverty is eating into the entrails of our rural body-economic. Unless it is checked in its ruinous course and is turned into prosperity or at least, sufficiency, there is only one goal to which it will lead us—economic death. But before it can be so metamorphosed, the causes that bring it into being must be sought and rooted out. The causes are many. The most important of these is low agricultural production. The present paper is concerned with this cause only. It must, however, be said that it works in a circle. Low agricultural production leads to rural poverty and rural poverty brings about low agricultural production.

Low agricultural production in India means two things. It means, in the first instance, that the amount of produce raised from land in our country per head of population is not large enough to meet all the economic needs of the people *. Consequently, there is under-consumption. It means, secondly, that the unit of product obtained from land in India is much smaller than the unit of product got from an equal area of land in other countries.*². Result—we occupy a very backward position in the economic world. But, although, low agricultural production has both these meanings here, yet it is clear that the second meaning

* See the articles on "The India's Food Problem" by Mr. D. S. Dube in the Indian Journal of Economics, Vol. III, Parts I and II, and Wealth and Taxable Capacity of India by Shah and Khambata and 251-52. These give although not an accurate yet quite a fairly workable idea of under consumption in India.

*² See Wealth and Taxable Capacity of India by Shah and Khambata, P. 314 from which the following table is taken. The authors take it from the International Year Book of Agricultural Statistics 1909 to 1921. Unit of Product in different countries.

Commodity.	United Kingdom.	U. S. A.	France.	Australia.	Egypt.	India.
Wheat	23'8	8'6	16'5	10'5	17'1	6'5
Rice		19'6	6'0		27'2	15'7
Oil Seeds		4'4	3'8		8'7	3'0
Cotton		1'4			2'7	1.1

is not of such consequence to this country as the first meaning, for no nation that is half-starved can afford to bother its head about where it stands in the economic march of nations. It should, further, be clear that low production in the second sense can disappear only when low production in the first sense is non-existent.

That does not much matter. What matters is that the question of low agricultural production in India to-day is a live issue. Upon its solution the economic salvation of the country mostly depends. But, how to solve it, which means, how to make low production yield place to sufficient and high production? The first thing in this connection to do is obviously to find out the causes that make for this low production. When the causes have been found, remedies can be devised and applied to root them out.

The causes of low agricultural production in India are well known. They are (I) climatic conditions of the country with special reference to rainfall, (II) methods of cultivation prevalent here, (III) sub-division and fragmentation of land-holdings, and (IV) ignorance of the people. I shall first show very briefly how they act, then discuss the ways of removing them as well as the limitations of these ways, and finally make the suggestions that to me appear to be the best in this behalf.

I. Climatic conditions : Rainfall. Agriculture in India can be aptly described as a "gamble in rains." It depends upon an adequate and timely rainfall brought about by a wind that "bloweth where it listeth." If rain fails to fall in any part of the country one season, it means famine conditions there. Although the want in one part can, these days, thanks to the development of the means of communication and transportation, be satisfied by bringing corn from other parts where there has been no failure of rains, yet this can be done, to a certain extent, at any rate, at the expense of those other parts because it is not always and necessarily their surplus produce that they have to part with. Nor, again, is the satisfaction of want in the famine-stricken part full. All this means that more mouths feed on a smaller quantity. And as there is generally in one part of the country or another a partial or total failure of rains every season, or, what in its results amounts to the same thing, an over-excess of rains, i. e., floods we have to witness in India the phenomenon of a large number of people

satisfying their hunger on a small quantity of food. Besides this, the uncertainty that this dependence upon nature gives rise to has a slackening effect upon agricultural operations which leads to the same result—low production.

II. Methods of cultivation. The second cause is the methods of cultivation prevalent in the country. As to these we are still the unchanged East. We use the same tools and the same manures, raise the same crops and in the same manner as was the fashion in India thousands of years ago, unmindful of the discoveries of scientific research and investigation whose application in other countries have raised the unit of produce by two, three or four times and even more.

III. Sub-division and fragmentation of land-holdings. India has almost all along been a land of small holdings. But they never were as small as they have in the present century come to be. Increase of population consequent upon the establishment of peace and security that followed the advent of the British into this land combined with the Indian Law of Succession that insists upon the partition of ancestral property equally between the sons of the same family have brought the present situation into existence, so much so that the holdings here are mostly uneconomic scraps. Small and scattered holdings do not encourage the introduction of improved and scientific farming which requires a good deal of investment of capital ; they result in waste of time which, however, is not of great consequence under the existing conditions as well as in waste of crops which is a very serious thing indeed. All this means economic loss and low production.

IV. Ignorance of the people. Last and in my opinion the most important of the causes is the ignorance of the people. Absence of education is really the curse of the country. It makes the introduction of new and modern ideas extremely difficult. It leads to conservatism so that people stick to what they have been doing. "Stick-to-itivness" is, no doubt, a virtue when it is synonymous with perseverance, but it becomes a vice when it degenerates into foolish, almost superstitious, persistence in the customary ways—our methods of cultivation and raising the same crops are examples

in view—irrespective of whether those ways are economically sound or unsound. Truly ignorance hardens custom into superstition and superstition especially in an illiterate people dies hard. Nor is this all. Absence of knowledge does not permit us to take advantage even of the things that lie about us because we are ignorant of their usefulness and which therefore go to waste. Look at the waste in reaping and harvesting, the waste in the division of crops, and the waste of manures like cattle urine, bones, and, to some extent, dung.

Having examined the operation of the causes of low agricultural production in India, let us turn our attention to the ways of bringing about their removal together with the limitation of those ways.

I. Climatic conditions :—Rainfall. Here it must be admitted at once, that man has not as yet achieved a victory over nature and is not likely to achieve it, at any rate, for a considerably long time to come. The amount of rainfall, its distribution and its timely arrival are the things which are beyond his power of control. So the elimination of this cause is out of the question. We can, however, to a certain extent, supply what nature at times fails to give us—water. This we can do by sinking wells, cutting canals, and building tanks from which during the absence of rains the thirst of our fields can be quenched. We know that out of the net area about 223 million acres* of land sown with crops in the country about 48* million acres only were irrigated, i. e., a little less than one-fifth—which means that about four-fifths of the area was dependent for water on nature. If this or as much of it as possible—some will have to be reserved for afforestation to solve the problem of fuel—can be similarly brought under artificial irrigation our dependence upon nature and with it our low production will go. But to do this funds are necessary—whether in the hands of the people or those of the Government and these in the hands of the former at least are not available. Be it said to the credit of the Government that they have done and are doing as much as they can, to reduce our dependence upon nature by investing in canals and tanks. It must not in this connection be forgotten that

* Agricultural Statistics of India 1921-22. Figure at the end,

when rains fail, wells and tanks dry up wholly or partially and the quantity of water in the canals is reduced, as well as that although the deficiency of water can be somewhat helped, its redundancy cannot be controlled at all.

Conclusion.—This cause cannot be altogether eliminated; and at present not even to the extent to which it can, because of lack of funds.

II. Methods of cultivation. While discussing the Indian methods of cultivation as a cause of low production, it was pointed out that very good results have been obtained in other countries by the application of science to agriculture, that is, in those countries the use of improved methods of scientific manures and rotation of crops, and of mechanical appliances, has resulted in making the unit of product three or four-fold or even more. What other countries have achieved, India also can by resorting to scientific agriculture. But can we resort to this sort of agriculture? Scientific agriculture is not cheap; it requires funds and we sadly lack funds. Then, it requires its economic usefulness to be proved to the people before it can be successfully introduced. This, with all deference to the demonstrative and educative work which the agricultural institutes and the co-operative societies are doing, has not as yet been accomplished so far as a very large proportion of our rural population is concerned. And a huge organization is necessary before it can be fully accomplished in a vast country like India. There are, however, as already noted, some manures that can be utilized if they are not allowed to go to waste as is the case at present. But here again ignorance of their existence or usefulness is responsible for their not being used.

Conclusion.—This cause can be done away with, but at present lack of funds and ignorance stand in the way of its being done away with.

III. Sub-division and fragmentation of land-holdings. As already pointed out, this is the result of the increase of population of the country and the Indian Law of Succession combined. It can actually go when (1) the pressure of population on the land decreases and (2) the Law of Succession is changed, so as to make the ancestral land go to the eldest son of the family or to have the same

effect in practice. But in whatever way the Law is proposed to be changed or amended, it cannot be changed or amended so long as the ground is not prepared for the favourable reception of the change by educating public opinion as to its advantages.

With regard to the population pressure being lowered, it can be done in three ways : (a) by the emigration of the people from India to foreign countries or from the over-populated parts of the country to the sparsely populated parts, (b) by their absorption into occupation other than agriculture, and (c) by self-imposed moral restraint. As to (a), the door to emigration to foreign countries is practically closed to Indians by the immigration laws of those countries. And, in India herself, there is not much room at present for such emigration, because the parts that are sparsely populated are mainly so because they cannot support more people. There are, however, about 151 million acres of culturable waste that is waiting for being brought under the plough. If this is made available to the agricultural classes it would certainly go a very long way to solve the question. Concerning absorption into other occupations, this is not very possible as there is a deplorable lack of other occupations. But as diversification of industry comes in, it will no doubt ease the situation. Lastly, with regard to self-restraint, it is practically impossible to resort to it under the existing circumstances, partly because the desire for offspring in India has an economic besides a religious basis—to supply labour in the absence of labour saving machinery, and partly because the people have not been educated as to it.

Conclusion.—This cause can disappear if the Law of Succession is changed and the population pressure decreases, but at present want of education and of other occupations than agriculture prevents it from disappearing.

IV. Ignorance of the people. This, which I said, was the most important cause of our economic ills, and can be driven away only by the spread of education amongst the people. Compulsory primary education joined to agricultural education for the rural areas is the crying need of the country. But this education, so that it might have lasting results, should not be purely theoretical as is the case with our present primary education. This has not proved of much

advantage. In one sentence, it has in the midst of light kept our boys in darkness, but if a practical programme is initiated especially with regard to agricultural areas, then those areas can be benefited, because what is wanted is not ability to read and write a little, but a broadening of the mental outlook—an outlook which grasps existing opportunities, sees far into the future, readily goes in for new things. But as regards this too, lack of funds and ignorances here on the part of the Government who have not seen and do not see that investment of funds in the human resources of the country will repay them many-fold, have stood and stand in the way of bringing in this much needed education.

Thus it is plain that what impedes to-day, the solution of the problem of low agricultural production in India, is the lack of funds and the lack of education. If these go, the problem can be solved. Dying Goethe called for "Light"; More Light!! Poor rural India calls for Funds! More Funds!! as well as for Light! More Light!! Can this double call be met—can funds be supplied, can light be brought? The ease with, and the extent to which this can be done will be the measure of the ease with, and the extent to which the solution can be effected. Now, as to funds, if at all, they can be supplied with great difficulty and to a small limit. As regards light, it can be brought in comparatively easily and sufficiently. This being so, the way in which we should approach the problem becomes quite clear. It is that we should not lay emphasis upon doing things which can be done if a sufficient supply of funds be forthcoming; but we should reach our hand to catch what lies within our grasp and can be had for almost the picking, but which we cannot seize upon because we are not aware of its usefulness. To the former type belong things like the application of mechanical appliances, the use of scientific manures and irrigation from wells to be sunk for the purpose; and under the second category comes the avoidance of waste of crops in the fields and at division and other time, the utilization of cattle urine, bones, and dung, seed selection, more scientific rotation of crops,* etc. All these will cost little or nothing; only the ignorance of the people about them has to be removed which the light that I have proposed should be

* This besides to a certain extent, solving the problem of manure will enable us to utilise about 51 million acres that are now left fallow Agricultural Statistics of India 1921 22. Figures at the end.

brought will do. But it will have a very wholesome effect on the agricultural classes, because it will improve their condition considerably, which means, it will put them in possession of some funds ; and, what is more, it will instil confidence in new and modern methods of agriculture. Once improvement sets in and confidence of the sort is imbibed they will continue to "grow from more to more" and "from good to better daily self-surpass."

But this light which is to effect all this and which is and can be brought easily, whence is it to come ? It should come from the Agricultural Departments, the Co-operative Societies, the Universities, Associations like our own and the Primary Agricultural Schools. Let the first four which are in existence join hands in bringing it by sending out their members to lecture to the cultivators on what they should do and demonstrate to them, as much as possible, the usefulness of what is proposed ; as well as by writing pamphlets in easy language and throwing them broadcast over the country. Let also every village have a primary school with some plot of land attached to it where agricultural operations can be taught and demonstrated.

This does not mean that funds are not to be provided even to the extent to which they can be supplied. Nor, again, that the work of the consolidation of holdings, and of the experimental co-operative farming wherever it has been started is not to be proceeded with. By no means. All this is a part of education and it is preparing us for great changes ; it should be continued as zealously as ever. What I wish to emphasise is that "Light !" "More Light !!" is the chief and crying need of India to-day and that it should be brought as soon as possible the sooner the better.

INDIA AND THE RURAL PROBLEM

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It is perhaps a platitude to say that India is essentially an agricultural country and that near about 73 per cent. of her population depend directly or indirectly for their livelihood on agricultural incomes. But this has been more or less the outstanding feature during the greater part of the 19th Century in the economic life of India and continues to be so even to-day. Yet sometimes one is led to wonder why special attention has not been given to a study of the rural problem in India in all its different aspects with a view to the rapid improvement of the wealth and welfare of the rural population.

The improvement of Indian Agriculture presented itself as an important and urgent problem to the East India Company as early as 1830 when British Manufactures were said to have largely replaced the Indian in foreign as well as the Indian Markets. The question of providing returns for the increasing British imports into India as well as the necessity for the payment of what have been called the 'home charges' brought the importance of Indian Agricultural development to the forefront. But even in spite of the fact that India was expected to pay from the products of the soil namely, raw materials and food-stuffs,—it is unfortunate that even that one industry has not made the progress that it ought to have done.

The study of agricultural statistics in India gives the student of economics useful information in regard not only to the number of acres cultivable and cultivated but also of cultivable though uncultivated areas. We have also figures to indicate the number of acres devoted to different crops from year to year and the total probable out-turn for each crop.

(Extract from the Statistical Abstract of British India)

		1914-15	1923-24
		Acres.	Acres.
Net area by professional survey ..		619,392,157	667,719,983
Culturable waste other than fallow ..		115,079,507	154,609,297
Net area sown with crops ..		227,682,179	222,490,718
Area irrigated ..		47,193,925	44,924,626
Area under food grains ..		204,504,550	197,000,162
Other food crops, vegetables, fruits and spices ..		8,200,367	7,954,130
Sugar ..		2,458,865	3,044,711
Coffee ..		86,712	95,995
Tea ..		584,379	713,161
Oil-seeds ..		15,333,591	14,254,516
Cotton ..		15,221,787	15,385,178
Jute ..		3,308,718	2,329,232
Indigo ..		145,792	176,676
Opium ..		178,582	142,152
Tobacco ..		1,056,349	1,025,474
Fodder crops ..		6,362,511	8,764,333

Note.—It will be seen from these figures that the rate of our Agricultural Progress between the years 1914 to 1924 has been extremely slow in a number of cases and has apparently gone back in others.

Below are given the figures of culturable waste arranged according to Provinces in 1923-24.

Madras ..	12,419,459	Acres.
Bombay ..	7,044,359	"
Bengal ..	6,263,175	"
U. P. ..	10,411,570	"
Punjab ..	16,004,459	"
Bihar and Orissa ..	7,010,084	"
Burma ..	60,952,577	"
C. P. ..	15,083,289	"
Assam ..	16,388,612	"

A close study of the statistics given above forces even upon the casual observer the conclusion that there is considerable scope for improvement in every direction. Sir M. Visveswaraya in his interesting book 'Reconstructing India' (page 174) makes the suggestion that Japan maintains a population of 56 millions on a cultivated area of 17 million acres. On the other hand India finds it difficult to maintain a population of somewhere about 200 millions on a cultivated area of 222 million acres. It has also been suggested by the same author that on the normal pre-war basis the average production of British India including irrigated crops could not be more than Rs. 25 per acre, whereas in Japan it was expected to be not less than Rs. 150. Pandit Malaviyaji in his Supplementary Note in the Report of the Indian Industrial Commission hazards the view that the average yield per acre of rice in India is only half of what it is in Japan. Whatever the differences of views in regard to the actual proportions, it must be agreed that the call for measures for the improvement of the conditions of Indian Agriculture is urgent and insistent.

All of us may be aware that Scientific Agriculture is generally unheard of in places where they ought to be heard, and little practised where it ought to be practised. On the other hand the European expert in Scientific Agriculture lacks the experience and the knowledge of local conditions which the agriculturist has in a remarkable degree. The two rarely meet. This pathetic situation in regard to the agricultural masses of the country cannot be due to any peculiarity in the make-up of the Indian peasant. The causes ought to be found in other directions. The Indian in the rural area is not lacking in readiness of response when an offer of co-operation is made. But as Sir Visveswaraya points out : "This response is proportionate to the accessibility and the practical character of the opportunities provided for his improvement and to the sincerity and humanity of the pioneers directing the work of instruction and experiment." A great part of the Indian agriculturist's difficulty is due to the absence of a proper kind of education. It will be seen from the figures given below that as many as 70 per cent. of India's population are illiterate but it would not be correct to say that because they are illiterate they are absolutely

uneducated. They are educated in a way, but their education is of a crude, narrow type based upon their extremely limited experience, not on knowledge or principles, and they are impervious to new facts or ideas because the world of thought and action outside the rural area is closed to them largely on account of their illiteracy.

Here are some facts about illiteracy in British India.

Province	Total population		Illiterate.	
	Males.	Females.	Males	Females.
Madras	20,870,749	21,448,236	17,702,676	20,994,401
Bombay	10,876,969	9,171,250	8,746,402	8,945,737
Bengal	24,151,222	22,544,311	20,300,571	22,140,304
U P	23,787,745	21,588,042	22,231,119	21,455,796
Punjab	11,306,265	9,378,759	10,550,921	9,300,611
Burma	6,756,969	6,455,223	3,709,179	5,807,877
Bihar and Orissa ..	16,763,866	17,238,323	15,281,315	17,134,617
C. P. and Berar ..	6,951,349	6,961,361	6,367,771	6,911,696
Assam	3,961,109	3,645,121	3,523,715	3,599,410
N.-W. Frontier ..	1,229,316	1,022,024	1,151,232	1,603,055
Total British India ..	120,872,116	120,131,177	110,341,463	117,963,181

Literacy may not solve the problem, but at least it can help to create, nay, to provoke some interest in the agriculturist in the life beyond his village. But even supposing that we had a primary school, in its present form, in every village, it is still possible to believe that the position would not be much better than what it is to-day, for the educational system now in vogue in the primary stage and in a

greater degree in the secondary stage is extremely artificial, unnatural and divorced from the natural environment. The whole system is based upon bureaucratic needs and does not take account of the conditions and requirements of the rural population. No conscious attempt is made to interest the student in the environment in which he is living and create in him that missionary zeal to improve local conditions. It is not without reason, therefore, that Sir Visveswaraya with his great experience condemns the systems in the following words in page 258 of his book "Primary Education that is provided at present is of an unpractical character. The cultivator and the craftsman view it with disfavour as tending to estrange their boys from their surroundings, and to make them dissatisfied with their hereditary calling without necessarily fitting them for anything better."

The villager's needs are essentially the needs of agriculture—working capital, cattle, seeds, tools, etc. Secondly, he must be provided with the opportunity to market agricultural products at the proper time and at the best price, but more than all he needs to know how best to spend his leisure and money when he has them. In all or most of these activities the rural population has not advanced very far from primitive ideas, not because they were incapable of moving forward, but because they have been allowed to vegetate without advice, without assistance, and without hope. Even the Indian Industrial Commission was convinced that cottage industries in rural areas were not in so hopeless a condition as it was thought they were, but that the defect was the defect in organisation.

There are other questions connected with rural economy which have attracted the attention of economic reformers during recent years in some form or other. Rural indebtedness is the chief of these, and it was supposed to have first drawn the attention of Sir William Wedderburn in India about the eighties of the last century. But since his time we have moved a long way and in a different way, thanks largely to the study of this question by Sir Frederick Nicholson and the tremendous energy and driving force of Lord Curzon in getting the First Co-operative Societies Act in India passed in 1904. Though the Co-operative Movement

started as a purely credit movement it has been something of a success as may be seen from the following figures for 1923-24 :—

Province.	Agri- cultural Societies No.	Number of Members.	Share Capital Rs.	Deposits by Mem- bers Rs.
Madras ..	8,306	4,53,033	38,03,113	7,81,959
Bombay ..	3,059	2,21,104	6,36,207	49,24,420
Bengal ..	8,638	2,34,821	11,56,238	8,39,202
U. P. ..	5,445	1,30,968	16,67,608	72,627
Punjab ..	9,820	2,53,952	46,30,331	20,48,536
Burma ..	4,705	1,14,430	36,71,798	4,86,223
Bihar & Orissa	5,108	1,45,102	3,71,920	2,60,319
C. P. ..	4,291	67,831	29,163	2,45,551
Assam ..	642	28,420	25,952	97,594
Total British India ..	50,756	16,70,087	1,63,87,519	97,87,298

A few ideas strike the critical observer. Co-operative activity in spite of its apparent success in agricultural areas has not been the success that its admirers say it is. Deposits in village banks have been relatively poor and though the reserves have been built up steadily the movement records very slow progress. The Co-operative Credit Society has still to feel the pulse of the rural population. Villagers are still under the impression that the Co-operative Bank is a mild type of the Bania without his sting. Mr. V. L. Mehta very rightly points out in page 138 of the Co-operative Studies (by Ewbank) that "with the restriction of the movement

to one particular field of Co-operation it is difficult to capture the imagination and enlist the sympathies of persons of different tastes and aptitudes while the comparative lack of variety and originality in Co-operative enterprises as evidenced in India does not always succeed in calling forth the zeal and ardour which a movement endowed with richer and more obvious potentialities can arouse."

Much has been written and spoken about sub-division and fragmentation of agricultural holdings in different parts in India; bizarre remedies have been suggested in different areas, and the Indian State of Baroda has even attempted restrictive legislation. But one wonders whether legislation could at all remedy the situation. If there is overcrowding in houses or in particular areas would legislation prohibiting such overcrowding prevent such a phenomenon, other things remaining the same? Apparently not. Legislation on such a matter as this will tend to defeat itself and will only drive the movement underground to escape the clutches of the law. The immediate necessity is to educate the peasant cultivator who is in possession of an uneconomic holding to think of brighter and better activities or occupations, so that the land may not loom large before his eyes as an investment. It means then, that other possibilities should be made open before any restrictive legislation is undertaken at all. Further there is the important fact that banking in this country is still not so thoroughly organised as it ought to be, and is yet to reach the Indian agriculturist as an avenue for investment. So long as land remains the only safe and ostensible means of investment open to the understanding of the agriculturist or even others the trouble over holdings in land would remain.

Yet another of the difficulties that confront the ryot is the land revenue policy of the Government which follows no intelligent or equitable principle. It has been more than once pointed out that it is only fair that agricultural incomes ought to be treated generally on lines similar to the incomes from non-agricultural sources.

The questions of rural health and sanitation are closely interconnected, but they are more vitally connected with the economic

life of the rural population. It is as much of an economic problem as it may be a medical one. But as would be apparent to every close thinker of rural questions every one of these problems is so inextricably bound up with others that their cumulative effects have to be borne in mind in the attempt to improve rural conditions.

What then are our remedies ? The answer is not easy and there is no short cut for success in life, much less in agricultural life. But we can at least remedy some of the evils which are eating into the very vitals of rural India. To put it in the words of Mr. Collins of the Industries Department of Bihar and Orissa "the only real remedies are two : education and organisation." Mr. Collins writes in page 28 of *Co-operative Studies* : "Illiteracy is the primary cause of most of the evils of rural India and until that is removed nothing else can avail. Although the Mahratta and the Pathan no longer ravage the country-side a civil anarchy prevails. The raider has gone, but the civil court peon remains, and he strikes the same terror into the heart of the illiterate ryot. Deceit and lies are the only weapons of the ignorant cultivator under an organised administration."

In regard to education a radical reform is fundamentally necessary. Says Sir Visveswaraya (p. 265, *Reconstructing India*): "Four or six years in the secondary school should arouse in the student an intelligent interest in the affairs of every-day life and in a measure make for clean thinking and clean living. The practical subjects taught should include civil and mechanical engineering, technology, agriculture, commercial methods, medicine, cabinet-making, pottery, hand-loom weaving, dress-making, metal-work, leather-work and such other handicrafts." An ambitious programme one might say, but one which we require all the same.

Mr. Mackenna in his 'Agriculture in India' suggests that no real progress will be made until we realise clearly what we are aiming at, "In the first place," says he, "there is, and for some time to come must be, a very large section of the agricultural population of India who are absolutely illiterate or whose education is of a very rudimentary type. The reasoning faculties are not developed. In such cases there can be no question of agricultural

education. Demonstration of improved methods on their own fields and the rule-of-thumb observance of recommendations is the only way by which the agricultural department can influence them. An experiment in vernacular agricultural schools seems a step in the right direction with a course made thoroughly practical." Probably the experiment of Denmark is likely to be of great interest to those who wish to revive rural life in India. The education of the rural population in Denmark is carried on in a great degree through what are called People's High Schools. "These High Schools" says Mr. Harold Faber in his preface to *Co-operation in Danish Agriculture*, "are private voluntary schools for young men and young women between 18 and 25 years of age, who generally pass five winter months and three summer months respectively under the influence of the living word of the teachers and congenial comradeship, their mental horizon is widened and their life is lifted to a higher plane. From these high schools, have sprung the agricultural schools. They are very cheap and young men are very eager to get an opportunity of going to them and frequently pass one or two winters at a high school, and the next winter at an agricultural school, working during the intervening summer months on the land. The State supports the schools chiefly by bursaries, but leaves them complete freedom as to management and curriculum. This is the chief contribution of Denmark to educational progress." These schools have been described very often as 'hot-beds' of the Co-operative movement and every villager is very often a member of more than one Co-operative Society. Naturally so, for with education came the recognition of the fact of interdependence and the realisation of the advantages of Co-operative work. Needless to say the education was carried on through the vernacular.

India's agriculturists have from ancient times been accustomed to manage their own affairs through their panchayats, and had learnt to trust one another and to co-operate in many ways. The joint-family system was the bed-rock on which agricultural life was based. There has been too much of prejudiced criticism about the efficiency of the joint-family, but in an occupation like that of agriculture where the co-operation of different persons is necessary and where each man's contribution cannot be definitely estimated

the joint-family system preserved all the advantages of co-operation with the additional tie of blood. But at the present day all this is being lost owing to a variety of reasons. At any rate a re-organisation of village administration on a 'community' basis and the creation of an *esprit-de-corps* among the villagers as a unit both for purposes of assessment as well as for others would go a long way to create responsible outlook in the minds of the rural population.

"The ryotwari System" says Sir Sankaran Nair, "which made each individual ryot responsible for the payment of the land tax on his land was a great blow to the communal system. Naturally every ryot tries to get his land assessed as low as possible. Instead of having to deal with his own village headman, who knew everything about his land and who could with the help of the village elders settle at once his own share of what the village had to pay to the ruling power, he has now to deal with a stranger generally ignorant of the conditions of village life. Other disputes between the members of the same village were then settled without difficulty. No application was rejected on the ground that it was not stamped. No professional assistance was necessary to draw up petitions, nor was any reference necessary to officials. The villagers were not dragged to the various stations of the revenue officials; no interpreters were required, and above all the decision did not rest with one not controlled by public opinion. The result was a speedy settlement of agrarian disputes." Sir Sankaran's indictment is very strong indeed but is equally true, and contains sufficient indications about the lines of possible reform.

A word must be said about the possibilities of the Co-operative movement in improving the wealth and welfare of the rural population. So long as the co-operative movement is predominantly of the credit type in rural areas it cannot in the nature of things make any rapid progress. We have not succeeded sufficiently, not because Co-operation as an idea was wrong, or because the movement was premature, but because we have put the cart before the horse. We have not cared to understand the full implications of the movement, or that the different lines of co-operative activity are inextricably bound up with one another. We have neglected the education of the type that would be useful to the agriculturist,

we have emphasised on the results of his ignorant activities, but we have not found the root cause of his indebtedness. The real solution for the improvement of the village economy is not to be found in the specialised exotic co-operative credit principle as is worked now, but in its being broad-based on the life and work of the rural population. Villagers especially in South India have from early times known a very primitive form of co-operative credit bank in their 'chit-funds' where shares were payable half-yearly at harvest seasons and financial assistance given to one or other of the members at stipulated periods. The Co-operative Society must have developed in the village from the known to the less known, which is not only a sound educational maxim but an equally sound business principle. It may also be observed that the villager requires an organisation to market his commodities at the proper seasons and at a proper price. But so far this aspect of rural improvement has not attracted the attention it deserves. If the Co-operative Society in the village could have undertaken the purchase and sale of the village produce there can be no doubt that the village would have been able to divert to itself the middle-man's profits which are not an insignificant amount especially when we consider that the individual agriculturist is neither able nor willing to wait, with his limited knowledge and more limited means. A successful attempt in this direction made by the Co-operative Society would go a long way in endearing the organisation to the villagers and would help to bring success for the Society even on the credit side. As things stand the primary Societies in the villages have not attracted more than 100 lakhs as deposits from members, and there can be no doubt that with the Co-operative Society improving the conditions of purchase and sale of village produce the village deposits may also increase.

We cannot summarise the needs of the village better than in the following words of Prof. Radha Kamal Mukherjca. (*Democracies of the East*, p. 332 et seq.): "From the point of view of administrative efficiency such measures as the following seem to be essential: the restoration of the traditional responsibility of the village officers, artisans and employees *to the village*; their appointment and their payment by the village community out of the property still belonging to the village or cesses or shares of grain

at the harvest ; the increase of the powers of the Panchayat Court in respect of punishment for offences, empowering these courts to cognise suits of value not exceeding Rs. 500 and the removal of the concurrent jurisdiction of the District Munsif in Civil litigation, and of the Sub-Magistrate in criminal disputes ; the restoration of the independence of the village officials and the preservation of the village as a territorial unit entrusting the Panchayats with real administrative powers regarding village, forests, education, irrigation and sanitation." We can well sympathise with Prof. Mukherjee's suggestions, but the prior need is a real practical education. Unless the educational corner is turned it is just possible that the devolution of such powers as he has described may after all defeat the ends he has in view. The village system has been considerably maimed and though the devolution concurrently with better educational facilities may considerably help and hasten rural regeneration it cannot take precedence over educational opportunities.

To conclude : Sir Visveswaraya in his thought-provoking book which has been already referred to, suggests " that Indian revenue can easily be doubled in ten years, and trebled in fifteen if a satisfactory policy for the development of education and of production from industries and agriculture is adopted, and many of the restrictive influences incidental to the position of a dependency are removed." The Indian Industrial Commission were also of the view that education should be adapted to the needs of the population, (both rural and urban). " Our enquiries " they wrote, " force us to the conclusion that the crying need of industrial India at the present time is the provision of much greater facilities for the education of the artisan population." The need for a comprehensive policy is not only overdue but is an urgent necessity at the present time. A Royal Commission may or may not show us the way to agricultural progress in India but it is bound to mean an immediate expenditure running into lakhs or even crores. The clearest road is the road to intensive action in the direction of rural Co-operative organisations embracing a wider field than now, and the immediate development of rural education. This does not require any agitation or cogitation, but only action which the longer it is delayed the more criminal it becomes.

VILLAGE ECONOMIC ENQUIRIES

BY

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It was the privilege of the writer in May 1925 to be called to give evidence before two Government enquiry committees then gathering information in India. They were the Indian Taxation Enquiry Committee and the Indian Economic Enquiry Committee. The terms of reference to the Economic Enquiry Committee were as follows :—

“To examine the material at present available for framing an estimate of the economic condition of the various classes of the people of British India; to report on its adequacy: and to make recommendations as to the best manner in which it may be supplemented and as to the lines on which a general economic survey should be carried out, with an estimate of the expenditure involved in giving effect to such recommendations.”

For several months the writer as time permitted has been engaged in trying out some of the suggestions he made in his evidence to the committee. Part of that evidence is as follows :—

“I think that it is very necessary to proceed with an initial economic survey as the basis for ascertaining the economic conditions of the peoples in India. It is not necessary at this stage to try to cover the whole field; a careful estimate is all that should be attempted in this initial survey. Difficulties would be met with all along the way, for Indian people do not readily tell about their incomes, expenditures and indebtedness. But if they are assured that this investigation is not for revenue purposes, and if especially they are assured that their taxes will not be increased as a consequence, they can be relied upon to give fairly accurate information. An appeal to patriotism may be made; all the large and important countries in the world to-day take surveys and keep records of the production, income, national wealth, and other data, which show the progress of the country. Japan is doing it and India too, if

she is to take her place by the side of the other progressive nations of the earth, must keep careful records of her own progress.

Great care will be needed in choosing the investigators. Revenue Officers may serve on District Committees, but they might not be called on to do the regular gathering of information. The village people are afraid of Government officials. District and Taluk Boards members, panchayat members, economists and students of economics and members of Economic Associations are the persons to go among the people and get from them necessary information. Accurate and full information will not be obtained unless the villagers have confidence in the investigators. Missionaries will be able to give much help in securing the needed information.

I would make the district the unit for the purposes of this economic survey. Let there be appointed a Committee for each district, consisting of about six members, one or two officials, the rest non-officials, but all having experience in this kind of work. They will be empowered to employ persons experienced as surveyors. There will be need for two investigations, one urban and the other rural. Typical communities and typical villages will be chosen and investigated on the basis of a carefully prepared questionnaire. From this investigation may be made an estimate of the economic condition of the people. I do not favour at this stage a survey of the economic resources; that may come later. If the right persons are employed and the work done carefully, a valuable estimate may be made as to the economic condition of the people, with special reference to income, wealth, indebtedness, wages and cost of living. The underlying fact of this survey must be emphasised, namely, that this investigation is preparatory to measures for the uplift of the Indian people along the lines of economic improvement, a greater distribution of national wealth, and a more equitable distribution of the burden of taxation. Follow the line of least resistance for greater assistance to the people. Various checks may be used to try and secure the greatest possible accuracy, such as Karnam and Munsiff's knowledge and experience, the panchayat members, the revenue agency and the local enquiry.

House to house enquiry cannot be dispensed with, and if rightly checked it will supply fairly accurate information on which an

estimate can be made. As far as possible intensive study should be made as well as the mere answers to the questionnaire."

I wish to report some of my findings on the basis of my questionnaire in one small village, in which four typical families were investigated. I fully recognise how incomplete the material is, and how careful one must be in generalising from such scant data. But my chief purpose in this study was to work out a technique and to establish a method of approach to this problem of Village Economic Enquiry. The method used is known as the Random Sample. I will make my report and leave you to judge of its value as a method of Economic Enquiry for ascertaining especially the income, wealth, and expenditure of certain typical families in this village.

The Madichiyam village is within the Madura municipal limits; it is on the north side of the River Vaigai, and is only a little more than a mile from the centre of the city. There are 150 houses in the village with a total population of about 600 people. There are no Brahmins, but the sub-castes represent Vellalas, Naidus and shepherds, There are ryots, bazaar-keepers, clerks, and many work in the cotton mills of Madura. My investigations were conducted on the basis of households and the four typical villagers chosen were; a clerk in the Collector's office; a cotton weaver; a cooly mill worker, and a land-owner.

The clerk was dependent upon his salary, and consequently had no income from production. His wages were in money 38 rupees per month. His work is regular, 6 hours per day, and 25 days a month

This person has a house in his native village, which brings in rental Rs. 30 per month. The taxes amount to Rs. 51 per annum, which leaves a total income for this family of Rs. 765 for the year.

The cost of living amounts to : house rent Rs. 7 per month ; food Rs. 40 per month ; clothing Rs. 10 per month ; religious and social ceremonies cost Rs. 5 for the year ; student fees for his brother in college Rs. 49-12-0 per annum, making a total expenditure on cost of living of Rs. 738-12-0. This leaves a small credit balance, but this family is not able to save anything, for the balance is used up in one way or another.

In the matter of wealth this family has a house in a distant village valued at Rs. 8,000, which brings in a rental of Rs. 30 per mensem. The family jewels are worth Rs. 500 and the household effects were estimated at Rs. 250, making a total family wealth of Rs. 8,750.

This family has no indebtedness. This family is typical of a large class of Government service clerks, averaging from Rs. 30 to 50 per mensem. They are first able to make ends meet; the more fortunate ones have some wealth in the form of houses or land, secured from the family estate, but they are not able to save much in the course of a year.

The second investigation led us to a weaver's house. Formerly he was able to do pretty well, for his cottage weaving industry paid him well; members of his family worked at hulling rice and watering the streets of Madura: but now rice is being hulled in small factories, and the municipality employs a motor street sprinkler. Consequently new subsidiary occupations must be found, but it is hard to find them, and weaving is not as profitable now as it used to be. This man has four country pit looms; he employs three cool weavers, and his son manages the business.

He pays wages at the rate of 6 annas per day; the work is regular; the coolies work about 10 hours per day, and 22 days in the month. The Family income is Rs. 45 per month, which is a total yearly income of Rs. 540. The weaver owns his own house, but pays Rs. 12 yearly on house tax, and Rs. 10 for upkeep. The food of the family costs Rs. 45 per mensem and Rs. 50 per year for clothes. Rs. 5 annually go as gifts and presents to relatives. So that the total cost of living of this family is Rs. 617 per annum. But this is more than the income. This man said he was living on his capital and running into debt all the time.

As to wealth he formerly had an acre of land, but was forced to sell for Rs. 500. The house was valued at Rs. 800: family jewels were put down at Rs. 150, and household effects at Rs. 80. The total family wealth amounted to Rs. 1,030, and he is already living on his capital.

This family has a debt of Rs. 600. It was contracted two years ago, and the repayment is due in three years from the date of the loan. It was contracted for marriage purposes and the buying of looms. No repayments have yet been made. The money was borrowed from a yarn merchant at 12 per cent. interest. To my question—what are you going to do about it? The old man replied, “if we cannot lessen our family expenditure in some way and save some money we shall have to lose our house.”

This case is pathetic, and I believe typical of many. Machinery and the factory system is coming in and ousting them from their old-time occupations. They find it difficult to re-adjust themselves, and some will not attempt it until they are literally forced by economic pressure. This family is going into debt on running expenses at the rate of Rs. 77 per year. That loss is being made up out of capital. The family has a debt of Rs. 600 with no prospects of paying it except by selling ancestral property. This family formerly did quite well, financially, but modern industrialism is driving them to the wall, they find it difficult to adjust themselves. This is a typical case.

The next case study was a cooly mill worker. His village is two miles from the mill, which he has to walk twice every work day. His wages are Rs. 21 in money and Rs. 15 in kind per mensem. The work is regular, in fact too regular for many of the villagers. They work 10 hours per day and usually 24 days in the month. There is no other source of income, accordingly the total family income amounts to Rs. 432 per year.

Against that income must be set the cost of living. He has a small house, and so pays no rent, but does pay Rs. 2 house-tax. Rs. 30 go for house upkeep expenses. His family devotes Rs. 30 per mensem to food, and Rs. 30 a year are spent on clothing. He spends Rs. 10 a year on religious and social ceremonies and gifts to relatives which comes to a total cost of living of Rs. 422 during the year. This family is just able to pull on.

In the matter of wealth their family house is valued at Rs. 400. By dint of great care and sacrifice this family is able to save about Rs. 5 per month, which is put into a chit fund for marriage

and other special expenses. He now has a credit of Rs. 200 in that fund. The household effects are valued at Rs. 25. The total family wealth is accordingly estimated at Rs. 685. This family is fortunate in having no indebtedness. But these mill workers as a class are addicted to toddy drinking. The liquor shop is their curse; much of their money goes in drink, and the majority of them are heavily in debt. Some of the leading men of the village with whom we talked said that the greatest economic good as well as the best social blessing that we could bestow on these people would be to save them from the toddy shop.

The last family investigated in this village was a well-to-do ryot and land-owner. He is an agriculturist, has cattle and goats. He owns 8 acres of wet lands on which he grows paddy (rice). This land is sub-divided into two lots, one is at his home village, and the other field is situated about eight miles away. Both his fields are irrigated by river and the Periyar waters. All his land is under cultivation. He is able to secure about 10 kalams per acre, at an average price of Rs. 10 per kalam. He is trying to increase his yield by manuring, but the soil is not good, and his efforts have not been very successful. He has not consulted the Government Department of Agriculture. From some of his land he is able to get two crops in the year. The total family income from all sources is Rs. 1,040.

He pays wages in kind at the harvest time at the rate of Rs. 15. He has regular coolies, who work from sunrise sunset. Against the total income of the family of Rs. 1,040 must be set the cost of living as follows. He pays land taxes of Rs. 100 a year, annual house up-keep and taxes Rs. 30. Food costs Rs. 30 per mensem, and Rs. 50 are required per year for clothing. He pays Rs. 10 for gifts and religious ceremonies. Rs. 120 are required to cover the establishment charges of his cultivation, his lands and cattle or Rs. 770 to 800 will be his total expenditure in a year which leaves a credit balance of about Rs. 200 per year. When asked what he was able to save in a year he said—"nothing". That shows one of the difficulties in getting accurate information. Indian people do not like to tell what they are able to save, and often because they cannot keep accounts. They themselves do

not know their own receipts and expenditures. But obviously this family is able to save, and is saving one or two hundred rupees each year; he is building a fine new house for rental in his village, and is in a prosperous condition.

He has considerable wealth. His lands are valued at Rs. 10,000, his buildings at Rs. 6,000. His family have Rs. 300 worth of jewels and Rs. 400 of household goods. The total family wealth would therefore reach Rs. 16,700. This family has no indebtedness, though he says he will have to borrow funds to complete the house he is building. That is another characteristic of the Indian; he will not sell ancestral lands or buildings to provide funds for a new enterprise. He will borrow at high rates of interest and mortgage his property hoping that some good fortune will enable him to pay back the loan. Only as a last resort and frequently not until forced to do so will he part with his patrimony. This family is in a fortunate financial position for the increase in land values due to the growth and consequent expansion of the city of Madura is bringing them considerable wealth in the form of unearned increment. There are only a very few families in this happy situation in the village under investigation, but they are a type of many fortunate ones throughout the presidency, which in a very real sense have wealth thrust upon them.

In trying to summarise our results I will say: in this little village we can divide the families into three grades:—

INCOME:

1. Those with incomes up to Rs. 1,000 per year.
2. Those with incomes up to Rs. 50 per month or 600 per year.
3. Those with incomes up to Rs. 25 per month, or 300 per year.

COST OF LIVING:

1. Those whose costs approximate Rs. 800 per year.
2. Those whose costs approximate Rs. 600 per year.
3. Those whose costs approximate Rs. 300 per year.

WEALTH :

1. Those whose wealth approximates Rs. 50,000.
2. Those whose wealth approximates Rs. 8,000.
3. Those whose wealth approximates Rs. 650.

INDEBTEDNESS.

As a usual thing only the third class are continually in debt, and their debts average Rs. 100 per family.

In the Madichayam village there were 3 families in the first class, 20 in the second class, and 127 families in the third class. Accordingly the total income of the village from all sources amounted to Rs. 53,000; the total cost of living for the whole village was Rs. 52,500; the total wealth amounted to Rs. 392,550; and the total indebtedness was Rs. 12,700.

As I have indicated above these are only approximate figures arrived at according to the method known as the random sample, but my question is—Has not this method possibilities in it of conducting village economic and sociological enquiries ?

By way of conclusion let me say that one of the chief difficulties in this work is securing reliable and accurate information. Every opportunity must be used to check the information received. That may be done by recourse to the Government official statistics for the village. Village officers as the Karnam and Munsiff, should be appealed to and data confirmed or corrected by them. Headmen and educated and influential citizens of the village should be consulted; even visitors or chance remarks by the curious by-standers may result in valuable confirmation. District missionaries and students, Government officials and clerks, the Revenue Department, all these and other agencies may be used as checks or for the purpose of giving first-hand information. My experience confirms me in the opinion that the first thing to do and the best is to go to the people themselves and get the information required direct from the people, and then check it by the agencies mentioned. The investigator needs to be sympathetic and considerate in his dealings with the people. If he is kindly disposed and is the right kind of a person for this work he will nearly always get the information he desires. In my village enquiries I have always found the people, wealthy and

poor alike, anxious to co-operate and are willing to talk about their personal affairs in a really commendable way. Most Indian people like to have an unofficial foreign, who has captured their confidence, show an interest in their home affairs, and if he can suggest some lines of economic and social improvement they are deeply grateful.

“Each for all and all for each” is a good motto to take with one in these village economic and social inquiries.

RURAL ECONOMIC CONDITIONS

BY

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Recently I was on special duty in the Mysore State : my task was to conduct an Economic Survey of a region called the Malnad. The Mysore Government gave me all the facilities and requisites I asked for. That State is undoubtedly one of the most advanced and progressive in the East, and in several respects other parts of India have much to learn from the history of economic development in that State over the past four decades and more. This was perhaps the first time that an Economic Enquiry, covering all aspects of human life having any bearing on the economic well-being of man, was conducted in India by a whole-time economist assisted by officers from the Agricultural and Medical Departments, under Government auspices and with full and free Government assistance.

Not all findings of mine would be in place in a paper like this, but an audience consisting of professors and students of economics from all parts of India with knowledge and research as their goal, has a right to know those facts and observations collected or arrived at by me on some particular issues on which there has been, and there is still, a great deal of difference of opinion in the absence of accurate and adequate data. At the very outset I must make it clear that what follows does not in any way mean any comment on or disparagement of any investigations prior to mine, any bit of society, any service or any administration.

562 families living in nine villages located in different parts of three Districts were examined in great detail with regard to their economic conditions, and an extensive survey of the whole area was made by an extensive tour over the region, by an examination of registers and statistics maintained and collected by Government servants as a matter of routine, and by interrogating several leaders of the people and officers with regard to general conditions.

It is alleged by some that, in rural tracts specially, people do not give out facts with regard to themselves: Mr. Burnett-Hurst has put this forward as a reason for postponing any enquiries in this country on British or American scales. The tract where I carried on my work is considered as specially backward, but I never experienced any difficulty on this score. It seems to me that though rustics are predominantly illiterate they by no means lack in intelligence and common sense: they know their interests, and *once they are convinced that an investigation is for their good*, they reveal their hearts and minds to an extent which did surprise me. Even with regard to capitalists, there is nothing about them that is not known to the villagers living in their neighbourhood, and when the capitalist is told that his statement will be verified by reference to the village accountant, some of the tenants of the capitalist himself and Government records like income-tax registers, etc., but notwithstanding that the whole enquiry will be strictly confidential so far as individuals go, he is prepared to tell everything. In the health survey of these 562 families I never met any serious opposition to the detailed examination of men, women and children by the doctor who worked with me: I had neither magisterial powers nor revenue *Jabardast* nor even a single policeman, and Government had not passed any order making it obligatory on householders to subject themselves to all my scrutinies. There could not be a more telling proof of the readiness of the Indian rural population to co-operate in making any economic enquiry thorough and exact.

My examination of numerous registers and returns maintained and compiled by village officers and higher revenue and other officers, so far as those dealing with the economic conditions of the concerned locality are concerned, has led me to believe that there is an urgent necessity for putting up a special or a separate set of persons to do this sort of work. The general feeling among the ranks of officials and officers from whom the present economic statistics emanate, is that such statistical work is something out of the way; there is hardly any arrangement for either verification or checking or any sort of supervision. In this respect the recommendations of Sir M. Visvesvaraya and Pandit Kaul are quite valid. To meet the objection of heavy cost and uncertain results, it would perhaps be advisable to set up the machinery suggested by the

Committee in a Division of each Province to start with. "No information at all is better than wrong information" so said the *Times of India*. It seems to me that so far as rural conditions go, almost the entire lot of Government statistics is at present not only incorrect but is leading many people to wrong conclusions. Therefore, either we should have better official statistics collected or none at all.

In rural matters the centralisation of Governmental powers in the near past resulted in vesting plenitude of power (even in regard to small things) in Government Officers charged with wide ranges. A further result of this has been that our villages, once so famous for their self-reliance and corporate feeling, have become deplorably individualistic, the faculty for corporate feeling having atrophied on account of sheer disuse. What has been lost has not been substituted for: Government as constituted at present has neither the resources nor the man-power to be an effective ma-bap of the villages.

My intensive enquiries resulted in the following averages :—

Wealth per family Rs. 1,824-13-3.

Income per family per year Rs. 359-5-2.

Expenditure per family per year Rs. 387-4-5.

Debt owed per family Rs. 609-13-4.

But these averages do not mean much by themselves. In some villages Nature is kind, climate is congenial, rains proper, land fertile, environment encouraging. In other villages she is less liberal, in many she is niggardly, in considerable number positively unkind. While judging the well-being of people in different localities, then, we have to take into account the collective income of the place whether it is a minus quantity, non-existing, or if present how much it adds to the welfare of the average individual. But yet our land revenue assessment or our income-tax rules take absolutely no account of this potent factor !

Out of 2,771 persons examined, 1,409 were found to be suffering from some disease or other and the rest were disease-free. Even among the sick, most suffered from illness due to other causes than degeneration or vice: 11 suffered from syphilis and 15 suffered from gonorrhoea while 1,003 had malaria and 51 had lung diseases.

These facts and a careful examination of the nourishing qualities of the food taken by different classes of the rural population, made me conclude that *the* complaint with regard to rural parts was not so much degeneration as destitution ; out of the 2,771, not two score were fit for active military service.

The struggle for existence is as ferociously going on in our villages as in our forests. In many cases it is regrettable that a struggle is going on between wild animals in the forest and people in the village near by. In the latter case my investigations revealed the necessity for modifying the new policy of afforestation near by inhabited areas ; in forest clad areas agriculture can flourish only when forests recede to the mountains. In the matter of settlement of disputes I found that a blind loyalty to the law of contract led our courts of justice to many unjust decisions. In rural areas the land-owner is trying to take more and more from the tenant, the *sahukar* is trying to take more and more from the land-owner. Of these three the tenant is the weakest, and as there are no good walls in our villages he is fast wending his way to towns. The growing complaint in our rural tracts is lack of a resident labour supply.

Our leaders are busy bringing into existence new Universities ; but mostly of the old type only ; few seem to have recognised the grave need for a thorough modification of the curricula of studies in our rural schools. The present purely literary courses in our primary schools have no attraction for the agriculturist as such, and the boy who goes to these schools rarely returns to the plough ; there is greater urgency for vocational education in our rural than in our urban areas.

This country is at present subject to a railway mania, and in the eagerness to sink huge amounts of capital and open up railway connections, our financiers and legislators are forgetting the vital importance of roads for the masses of the country. Grand trunk lines connecting the country with other parts of the world are all right : we have already got them. But with the fast increasing utility and economy of motor services and the unavailability of the country cart for agricultural purposes, our Provincial and Local Fund roads deserve much better attention

than what seems to be given to them at present. Special attention should immediately be paid to the matter of inter-village communications: in plain country, where Nature is generous and congenial, the people manage to carry on with some sort of cart tracks or other. But in the hilly tracts, where the monsoon rains are heavy and brooks many, where population is sparse and becoming sparser, *the* really effective means for making our agricultural population stay on the land is the improvisation of a system of inter-village roads.

There are many causes for the backwardness of our rural tracts, but economic causes are much more responsible for it than either racial or temperamental. The crucial fact is that the agricultural worker is not getting his own—thanks to money-lenders, their retainers strong in physique and law courts. In one part of the Malnad I found that the ryots grew cardamom. At present cardamom is selling very high and is subject to a heavy European demand. What is the result? In spite of money-lenders and all their kith and kin being there, the ryots have become free from all encumbrances, and their determination to withstand the temptation of borrowing astonished me: the total debt of the village of Mankanhalli was only Rs. 600, while that of another village (busy with growing comparatively poorer and more heavily assessed crop) was Rs. 86,631-10-0. But, the pity of it is that not all Indians can hope to grow cardamom or some other equally costly crop. Thus we arrive at the only other thing to be done—the ryots should be freed from economic oppression and enabled to have fresh start.

Insanitary and damp houses, poor food, absence of good drinking water and irrigational facilities, these and other chronic defects in rural life are all fundamentally the result of economic poverty: no Government can reasonably hope to effectively help each and every householder with regard to things like these; these can be, and surely will be, looked after by the people themselves, but the key to the difficult situation is the liberation of the masses from the clutches of the classes.

As matters are, it is idle to expect the ryots to “co-operate” and improve themselves on their own local foundations: the ball must be

set in motion by Government, if for no other reason, at least for this—that the present pessimistic outlook in rural tracts has been largely due to the past ill-advised policy of extending Government rights in village economy *theoretically*, of practising in fact a pseudolaissez faire policy in the matter of obligations which the above said rights implied.

In two directions Government must move, and that *effectively*: in moving for the necessary legislation, in providing the necessary finance. I say that Government ought to move in legislation because our Provincial Councils (as also our Central Legislature) are based upon a narrow franchise which does not give fair representation in the Houses to all classes for our agricultural population. This is not the time for my detailing the several legislative measures required, but among the lot are the following:—

(1) Empowering the judge to go into the history of each debt for the settlement of which the creditor applies to a court of law and to award equitable decisions irrespective of documents and contracts;

(2) Declaring sub-economic holdings exempt from attachment by courts of law;

(3) Guaranteeing to the small cultivator (whether he is the occupant or a tenant) fifty per cent. of the gross yield of land every year; and

(4) Fixing a maximum rate of real interest.

Financing of rural needs is a much more serious affair than the financing of our industries. On the average, every Province would require between 3 and 5 crores to make Land Mortgage Banks function effectively and this is quite apart from “development” work in our villages which would involve about Rs. 10 crores in each Province. This is also apart from loans which our rural fellow countrymen would require for cultivation expenses (on the security of the standing crop) and for making advances to labourers. Labour Bureaux and Co-operative Selling Syndicates would have to be formed and worked in the beginning, by Government agency. My studies led me to think that the expenditure and investment involved would be so huge that, to begin with, it would be wiser to begin in each Province with a “Development Area”—say a sub-division

consisting of 3-4 taluks—and concentrating and effectualising expenditure in that area for three years.

But a matter of primary importance is a photographing of the *status quo*. In every Province economic surveys of typical rural areas must be inaugurated. A particular suggestion I would make with regard to Economic Enquiry is that Economic Departments of our Universities and the statistical organisation recommended by the Visvesvaraya Committee should be closely associated: provision may be made, to the benefit of both departments, for interchange of men periodically as between them: economists in Universities would then become more practical, the Statistical Department would gain in purity of ideals and freedom from preconceived notions

THE ECONOMICS OF A BENGAL VILLAGE

BY

S. V. AVYAR AND A. K. AHMAD KHAN.

Preliminary.—The village of Bakharpur is 6 miles south of Chandpur—the headquarter of this sub-division and also the station of steamers and railways in the district of Tipperah. The river Megna that runs by the west of Chandpur southwards is within 5 miles of the village to the west; the river Dacatia, a branch of the Megna lies four miles away from the village to the east. This village may be taken as a type of villages in this part of the district within a radius of about 6 miles.

There is no forest or hill near the village. A big high road which is as old as prince Shuja, just embraces the village on the north and the west. People say that this main road runs upto Chittagong and being connected here and there with a good many main roads as well as local roads connects the village with almost all the parts of Chittagong Division. A canal that runs side by side with the road on the north turns southwards to border the village on the east. This canal drains away the whole water of the village. The course of it is as long as 12 miles, connecting the Megna with the Dacatia—Chandpur being at one end and Rampur, a village market, on the other, four miles to the south-east of the village. The canal dries up in the dry-season and is brimful in the rainy season. Some years back the trade between Chandpur and Rampur as well as between several villages on its side was carried through this canal. This canal, as it connects the Megna with the Dacatia, also facilitated the trade with other districts of the province. But during the last 10 years the canal has been more or less completely blocked up by a sort of water-hyacinth locally called "Kacheri or Germany", (full account of it will be given later).

It is an interesting phenomenon, that in the rainy season water stands on the field to a height of 4 to 6 ft. for nearly $4\frac{1}{2}$ months in the year. The village has three fields. Houses are located round the fields and between houses there is generally a narrow strip of low land (which is but the continuation of the field); and, therefore,

in the wet-season each of them becomes detached and isolated. They are not interconnected by small roads and people, in this season, can go from house to house only by means of small boats. Recently attempts are made by the "Union Board" to construct local roads in the village.

Rains begin in this part of the country as early as May and go on up to October. But the incessant and heavy showers pour in the months of July, August and September. There are, of course, occasional pours (never more than twice or thrice) during the winter months.

It is a custom in the village to cut narrow depressions (resembling drains but much more wide having 4 to 6 cubits in breadth) round the entire houses. Trees are allowed to grow on their sides, whose leaves fall and rest in them, and rot, giving a very offensive smell. Mosquitoes which spread Malaria, germinate in these places and exert their full influence on the poor villagers

Population:—The population of the village according to the Census of 1921 is 3,980, of which 3,599 are Muslims and 381 are Hindus. One thing that is noteworthy is the absence of a Brahman family in the village. The following is the description of people among various castes and classes :—

Muslims	3,599	Circumciser	..	28	
Male	1,917	Da-e	..	29	
Female	1,682	The rest landholders.			
		Weavers	..	54	Barbers & washermen are equally the servants of Muslims and Hindus. There is no objection to this. At the marriage ceremony each of them gets "Bakhshish" in the way of rupees, clothes, and eatables.
		Barbers	..	29	
Hindus	381	Washerman (Dhobi)	81		
Male	192	Bhu-i-mali	6		
Female	189				
		There is one family of Patri (ferry-boatman) in the village but number of members is not known from the census.			
		The rest of the Hindu population is Kayestha			

It is, indeed, a healthy condition of the village that the male population always exceeds that of the female.

The age-estimation of the census is extremely untrustworthy. According to the census the majority of the population is between the age of 10 and 25; next to it between 25 and 40 then between 40 and 60. Of course the number between the ages of 70, 80 and 90 is negligible. There are some 3 or 4 men in the village who have enjoyed a lease of life beyond 100 years.

LAND.

The soil of the village is alluvial and is divided into three sorts according to crop-yielding power: (1) Ec-Phasali or one-crop land; (2) Do-Phasali or two-crop land; (3) Baganbari, i.e., garden. Generally speaking the proportion of "dry land" is very poor, only the "Baganbari land" may be reckoned as such. About 1/20 of the entire land is occupied by garden. There are gardens of betel-nut trees. No doubt, one will find a few fruit trees (such as mango trees, jack trees, date trees, palm trees, tamarined trees, shade trees and wild trees in the garden, scattered here and there). In recently prepared gardens fruit trees almost always occupy the margin.

Since some 30 years the pressure of population has made it necessary to appropriate all sorts of waste lands and to make them fit for cultivation. I found not a single area that I could in any way call waste. Pasture lands also have met with the same fate. Cattle are tethered on the bunds of the tanks, the bed of the canal, and for a period of about 1 or 2 months on the field after the paddy crop is over—and artificial grass is grown for the dry or winter months. Straw of paddy is stored up for the rainy days. And in recent years cattle sometimes live on "Kacheri" in the rainy season. Some 50 years back the acreage under woods and forests was not less than $\frac{1}{3}$ of the total area. And people say, there were wild buffaloes, pigs, monkeys and sometimes tigers that lived in these woods and forests. All except the last were the enemies of crops. But rapidly they have been rendered either into cultivable plots or to garden lands.

This village and all the villages of this part (and perhaps the whole of Tipperah and Noulhoti area) team with tanks—each house having as much as 2 to 4 tanks. These tanks are generally 80 by 40 cubits. Not a single well is found in this part of the country.

OCCUPATION OF LAND.

Almost all the lands of the village are of three interests. The village belongs to several Zamindars, none of whom resides in the village. The rates of taxation of land varies with different Zamindars and consequently an investigation of it is very irksome. There are two families in the village whose members were at one time ordinary land-holders, but who have recently, by a stroke of fortune, become small Zamindars. There are a few sub-tenants under one of these families ; and Bargadars under the other. About 99 per cent. of the total cultivable area is cultivated by rayats at fixed rents, and the remaining 1 per cent. is under the possession of rayats of other descriptions. In recent years an "Ijara system" has come into practice. It is also called "Khaikhalashi" in most part of Bengal. "Khaikhalashi" means usufructuary mortgage (i.e., renting of land for a period of years, usually nine—by advance payment). The land under this system can be had from two sources : (I) Those cultivators who have a debt which their petty annual income can never pay back and who have a keen economic understanding, decide to let their land thus, to pay off their creditor with the big sum obtained thereby. They of course, lead their lives, for the period, with difficulty : sometimes by working on other fields and sometimes by small trading. (II) Secondly, those who have a surplus of land prefer to have a ready cash by this practice. Now those cultivators who are well off and enterprising avail themselves of the opportunity and take up such lands. This practice has to some extent brought the lands of the village under careful and better cultivation.

There is only one family of non-cultivating land-owners in the village. These people hold out lands to Bargadars who return them a customary share (usually $\frac{1}{3}$ and sometimes $\frac{1}{2}$) of the crops raised. Their occupation is Mahajani and Zamindari. Most of the villagers own some land at least. Almost 99 per cent. of the population consists of cultivating land-owners. Number of agricultural workers who neither own nor rent agricultural land may be estimated as not exceeding 1 per cent. of the population. This one per cent. is constituted by the members of two Kayastha families who are newcomers to the village and who possess no land, and also by a few males and females who are the beggars in the village. The males work as day-labourers, when there is work in the village ; and when

no work can be obtained in the locality, they go to Chandpur to work there as coolies. Some of them do the work of brick-makers and brick-layers. Every villager has the view that whatever surplus he has must be invested in land. As a result even the labourers and also the artisans own *some land at least*.

Almost every landholder keeps some labourers in his establishment to help him in his agriculture. These permanent labourers are allowed to live in the master's house, where they take their meals—three meals a day—and where they are sometimes provided with clothing. Their wages range from Rs. 40 to 100 per annum. When there is pressure of work some temporary labourers are also hired. The usual daily wage of such labourers ranges from 4 annas to 10 annas. The supply of such labour is obtained from male tenants who own no land and also from other parts of the district.

The landless female tenants (specially the widows), live for the most, on begging, but it is found that they prefer to work when there is work for them. When the threshing of rice is over, they are found to engage themselves in husking, for which they are paid in kind—for every maund of rice husked a quantity of 2 seers is paid. During the chilli-harvest, most of them earn their livelihood by the plucking of chilly in the fields of landed cultivators who pay then in kind—usually $\frac{1}{8}$ to $\frac{1}{12}$ of what they pluck, is paid.

Rents are always paid in cash. There are 7 people who combine other occupations with agriculture. They are the servants of the village. There are the weavers, washermen, barbers, bu-i-malis (sweepers), patries, circumcisers, da-e-s of the village. Some of the washermen and bu-i-malis do the function of village shop-keepers: some deal in pan-leaves, and some in oil, pulses, rice and the like.

AGRICULTURE.

Agriculture, in fact, is practically the sole industry of the village. About 85 per cent. of the cultivated area is capable of yielding two crops in the year; and 15 per cent. one crop. But almost 65 per cent. remains under two crops and 35 per cent. under one in the year. The proportions of land under specified crops are given below:—

Paddy	15 %	The output of Paddy per kani is generally 70/75 maunds.
Chilli and then Paddy	38 %	The output of Jute per kani is generally 55/60 maunds.
Oilseed „ „	2 %	The output of Chilli per kani is generally 30/32 maunds.
Jute	20 %	The expense for Paddy cultivation per kani is generally Rs. 100 and for Jute Rs. 250.
Pulse other than Jute	25 %	(The measurement of kani is 252 cubits by 210 cubits here).

Chilli-cultivation begins from the month of January and ends towards the close of February. The harvest is over by the middle of June. In the chilli-crop plots paddy seeds are spread by spading method in the month of May, whereas at the same time the chilli-plants are allowed to stand in the field. Oilseed is cultivated in the month of February and the crop is raised in the month of May and June, when paddy seeds are sown in those plots. Pulse is sown in the month of January and when the plants are full grown they are, in ninety-nine cases, given to the cattle to graze on. The crop is raised in the month of April. And the area under them is then subjected to jute-cultivation. A few plots are left fallow for a few months, in which either jute or paddy is cultivated.

Fifty years ago, the return per "Kani" was very low. And there was hardly any system of rotation of crops. People cultivated only articles of consumption, viz., rice and pulse, chilli and jute (the three latter items were cultivated to a very small extent—only so much as would be necessary for domestic consumption; and hence not necessarily every year were these cultivated). In recent years paddy, chilli and jute are the principal crops of the village, of which chilli and jute are grown for the market. Before the year 1913, the area devoted to jute-cultivation was very small, but the impetus given in that year by the increased price of jute—the cultivator receiving Rs. 10 per maund—induced people to pay much care and devote many acres of land to its cultivation. Of course the odds and ends of the war-period much

oscillated the proportion, but the security of present years has brought the proportion to as much as 45 per cent. of the total cultivated area. Chilli-cultivation has begun to gain ground since the linking up of Chandpur, by means of railways and steamship, with other big commercial centres of the country. This chilli when dried is sacked and carried to Chandpur on head. It is very interesting to see in the bazar, every morning trains of villagers, each with a sack on head, walking towards Chandpur. This chilli-cultivation is very profitable and furnishes the villagers with enough resources.

Both jute and chilli-cultivations have secured for the villagers a sure means to relieve themselves from the clutches of money lenders. In recent years people rarerly run into debts—year by year, they are clearing up the old ones. Money-lenders are found to regret, "Alas ! bad days have come ! no one willing to borrow."

The villagers practice the rotation of crops in such a way that a plot on which they cultivate chilli this year, is usually sown with jute next year and vice versa.

Garden-land is always occupied by betel-nut trees, though some fruit and wild trees grow up side by side. A garden, if once prepared with betel-nuts, continues to yield betel-nuts year by year for a period of about 30 to 40 years and practically no labour except that of hewing down betel-nut-hold, is needed during these years for this garden.

The lands that bear one crop are subjected to paddy cultivation and sometimes if possible to jute cultivation.

Agriculture is carried on here by means of old sorts of ploughs. They are bought from a village market. That villagers are gradually proceeding towards the improved methods of cultivation may be explained by the fact, that, at present they plough the land a greater number of times than they did a few years back. The plough, the spade, and the sickle are all the agricultural implements the villagers possess. There is of course another implement locally called "Asra" which they employ to loose the earth. It is hoped that the villagers would adopt new methods of cultivation if their utility can be demonstrated to them. Agricultural holdings are very scattered. But people seem to have a tendency to get their holdings in one continuous area round their houses. For this,

the system of interchanging plots and also the attempt to sell off distant plots for the purchase of nearer ones have come into practice.

The soil of the village is very fertile, and people do not feel any great necessity for manuring. Only the less promising plots are manured by means of cow-dung. There is no systematic green-manuring. But people seem to realise its value. Weeds that are taken out from any plot are allowed to rest on the border lines, on the understanding that when they have rot, rain and even their own hand would carry them into the adjacent plots. Water-hyacinth (but not kachari) are in the rainy season driven on the plots where in the dry season they die and furnish a very good manure.

STOCK.

Every cultivator generally possesses 3 to 7 oxen and occasionally one or two milch cows. Owing to the want of grass it has become hard to maintain a good many cattle—only those cattle which are indispensable for agricultural work are kept and hence the negligence in the matter of cows. There is not a single buffalo, horse, donkey, sheep or pig in the whole of the village. A few goats are found here and there.

The villagers rarely *breed* any cattle, but they *purchase* them from cow-dealers who bring herds of cattle to the adjacent village markets. These cattle are brought from "Jitka," and "Putia", two cattle-markets in the district of Dacca, and also sometimes from "Babapura" another cattle-market in the district of Noakhali. Old stock is sold off at Haidargange in Noakhali. In this connection it must be observed that the villagers do not change their stock very often.

Early in the morning the working oxen are given straw and at about 6 a. m., hot water with oil-seed-cakes and salt is provided them for drinking. They are then taken to the field, where they work till 2 p. m. In the evening they are allowed to graze and as there is no cow-herd in the village every cultivator arranges for the grazing of his own cattle. When, however, there is pressure of work oxen are again yoked to the plough at about 6 p. m., and are relieved at about 8 or 9 p. m.

Every year in the month of October cattle are attacked with fever which is treated in the usual manner known to every cultivator. Cholera is a rare case.

CROP-PESTS.

There is no danger to jute in normal years. Chilli has to meet with a sort of insects-pest that cut the plants in the 1st stage. But this can be neglected. A kind of insects called "Jutia" or "Mewo" eat paddy-leaves in the beginning of July; but they disappear with rain. This is, therefore, no source of alarm; but the worst type of nightmare that disturbs our village folks is undoubtedly "Kacheri" (a pest). This evil has synchronised with the great European war. It is a sort of water-hyacinth having a few hands, from $\frac{1}{4}$ to $1\frac{1}{2}$ cubits long. Each of these hands ends in a flat leaf that catches wind and carries the whole body along with it. They have already blocked up the canal course and have far advanced in carrying their raids on the fields. They multiply their numbers so rapidly that all the attempts of the villagers have ended but in hopelessness. Villagers with the help of the "Union Board" several times cleared up their canals, their tanks, etc., but because in other parts of the country similar steps are not taken, the hordes of this evil swamp with doubly redoubled force and the poor villagers are only dragged into miseries. Annually about $\frac{1}{4}$ of the crop is destroyed by it. Leaving the cultivator under such difficulty, the talk of village reconstruction is a vain dream. His crop is destroyed, his traffic and communications are stopped, his drinking water is polluted and diseases increased with it.

WOOD FOR USE.

The wood for fuel is obtained out of wild trees in the garden-land, whose numbers, however, decrease day by day. Five families in the village have begun to use coal as fuel.

Implements are also made of these wild trees. "Karai" is a kind of tree that furnishes the wood for building purposes. But they are not enough to meet the demands of the villagers, who, therefore, very often buy timber from Chandpur.

THE VILLAGE.

The area of the village is $1\frac{1}{2}$ sqr. miles ($1 \times 1\frac{1}{2}$). Nine Hindu families reside in the middle of the village and the weavers and

patries occupy some portion of the western border of the village. The rest localised portion of the village is occupied by Muslim land-holders.

The dwellings of the people are good. The house of the depressed classes are decent. Almost 10/16 of total houses of the village are of tin and rest are thatched houses. There are five buildings—one storied three and two-storied two—in the village. Every one has a mind to make his house as decent as he possibly can. In establishing marriage relations people combine the decency of the house with other considerations. Houses are not congested. In every house there is a drawing room or bungalow, in which villagers gather during leisure times to speak of village politics and also to decide rural disputes.

That villagers prefer to have their houses continuous has already been hinted at.

The only subsidiary industry found in the village is *weaving*. But this industry does not show any sign of progress. The weavers use two kinds of looms: one, a superior kind, they call, 'The machine looms,' and the other, an inferior kind called handloom, which is very primitive.

The course staff is made by them. But people put them on only during work time. Machine-cloth is generally used. Some of the weavers have abandoned the profession in favour of agriculture as also for those of the Mahajani and Kabiraji (i.e., indigenous doctoring). Hand spinning was universally practised in the village some 60 or 70 years ago. But it has long died its unnatural death. During the non-co-operation movement a few men tried to introduce it but met with no success. Women cannot be induced to work the spinning machine. They protest on the ground that their household duties have enormously increased during some 3 or 4 decades. There is only one tailor in the village.

A few years back some 4 or 5 jewellers lived in the village, but at present there is only one of them. He earns enough.

VILLAGE TRADE.

Individual sale and purchase are very characteristic here. Seeds, implements, and other requirements of agriculture are purchased

either from Rampur or Chandpur. Articles of domestic consumption are mostly brought from Chandpur and occasionally from Rampur. During the rainy season the boat-way to Chandpur is comparatively convenient, and in this time people rarely go to Rampur. Oil and salt necessary for the whole year are taken once a time from Chandpur by means of boats. Rice that is locally produced can support the villagers only for a period of 5 or 6 months (of course there are cases of people who need no buying of rice). In the rainy season many people need buying and they can easily do it by the money obtained from jute-sale; and conveniently they can bring it home by means of boats.

Chilli and jute are the two items produced for market. Chilli is carried on head to Chandpur when people go in numbers on bazar days. It is a practice with most of the villagers to keep in store a few maunds of chilli that are taken away from them by small tradesmen in the rainy season.

When people ultimately prepare jute for the market, they either sell it at Chandpur or keep it in their house, whence small tradesmen take them away by cash payment. In the months of September and October people have little field-work; and sometimes some of them gather together, subscribe a fund and carry on small trading in jute, wood and betel-nuts. But as soon as waterways become impassable they stop the trading, and divide the profits and losses according to shares.

China-dishes, brass and earthen pots and jars are carried to the market by hawkers from Brikrampur—a pargana in the District of Dacca.

There is only one main road touching the village and very few local roads connected with it. For trading purpose this road is of no use. There is no cart-system to carry goods to trading centres. The big canal that connects the village with Chandpur has become to some extent useless owing to Kachari and people now go to market through field canals. This canal brought the village in close contact with Chandpur—a big railway and steamers and commercial centre.

ECONOMIC CONDITION.

There is an interesting system as regards labour in this part of the country (perhaps throughout the Province of Bengal). This is locally known as "Gati" or "Gata" system. Five or six or more men from different adjacent neighbouring houses, combine together and work all in a body, to-day on one's field, to-morrow on another's and so on in rotation on every one's field. This is indeed a device for direct labour exchange.

There is another system known as "Begara" system. A big land-holder who cannot find sufficient labourers on hire to work on his field, invites his neighbours to work for him "begar" or without pay, who however, respond to the call without objection. They, in return, are, of course, accorded with a rich meal. This system is not always practised.

Wages are always paid in cash. The payment to permanent labourers, who are kept in land-lord's house ranges from Rs. 40 to Rs. 100 per annum. They in addition receive cloth and food from their master. The wages of the temporary labourers range from 4 to 10 annas. It is held that wages have much increased during recent years.

Rice is the staple food in this part of the country, its price varies between Rs. 7 and Rs. 10, when husked, otherwise the variation lies between Rs. 3 and Rs. 5 per maund.

N. B.—The price of jute obtained by the majority of cultivators in the year 1925, ranged between Rs. 15 and 25.

It is not every year that the villagers can save. The savings that they make in normal years are employed in repayments of old debts and purchase or hire of new plots of land. (The purchase of new cattle and agricultural implements must also be reckoned). A few people prefer to invest their savings in the purchase of betel-nut which yields them enormous profits when sold a few months later. Sometimes savings are locked up in ornaments for their wives.

Rural indebtedness is, indeed a vital question of the day. A generation ago almost all the inhabitants had to borrow, their running accounts with the Mahajan never coming to an end. A good many cultivators have lost their lands owing to debt. And people

have now returned to their senses. They, by all means, try to avoid borrowing.

The increased returns of the land with their increased price has furnished the villagers with some resources with which they pay off the Mahajan and undertake various productive businesses.

There is no Co-operative Store in the village. A Co-operative Credit Society has recently been started, but it has not yet made any great progress. As yet more than half the population is indebted to the Mahajan.

Most of the previous debts were caused by consumption and uneconomic purposes on marriage occasions, on litigations, etc. But recent loans are taken for purchasing land or carrying small trading. Any one who marries by taking a loan of money is almost always looked down upon by the villagers. The rate of interest ranges from 40 to 75 per cent. per annum.

The habit of hoarding up money has now almost ceased to exist.

SANITARY CONDITION.

Some ten years back Malaria was not known in the village. But at present it has laid its firm hold on the poor inhabitants. In the year 1923, Malaria broke out seriously in this part of the country. Almost every house, with rare exception, was visited by this fatal kind of disease. Most of the villagers have, therefore, lost their health, which was the only pride of our rural population. Village physician could prescribe no remedy and quinine proved of no avail. The " Union Board " being instantly alive to the situation intimated the disastrous condition to the higher authority that has settled a medical officer at a central place in this area. People have been greatly helped and Malaria has become less frequent. The cases of small-pox and cholera are rare.

It is estimated that about 15 per cent. of the children die within the age of 4 or 5.

The villagers are not of very sanitary habits. Waste things are allowed to rest near the houses, where they rot and create bad odour. They also look very slovenly. In most houses the cattle-shed and the poultry-yard are not kept apart from the quarters of

the people. Early marriage does not prevail in the village ; men are not wedded before 25 years of age, and virgins not before 12 or 13. The Pardah system prevails in the village.

Every house has at least one tank which is the source whence water for drinking and all other purposes is obtained. But this water is almost always very bad. People are found to bathe, and wash clothes in the same tank from which drinking water is taken. Even in houses where there are 3 or 4 tanks the same bad practice prevails. Water in some of the tanks, becomes absolutely worthless in the month of February, March, April, May and June. A few people filter the water before they take it, and a few treat it with . . and a few others boil it, but still the majority of the population remain ignorant and take the water without any precaution. Almost every tank is connected with the field or the canal and the water contaminated by Kachari enters it without difficulty.

EDUCATION.

The following shows the proportion of educated villagers :—

- I. About 30 per cent. educated up to the Primary stage.
- II. About 1 per cent Higher English Education.
- III About 5 per cent. studying in colleges.

A dozen boys having received ' High ' English Education have settled down in the village. Six of them are imparting education to village boys in different schools. Among the remaining six, some are without any job, and others have taken to agriculture. Some boys after their H. E. School education have gone to other parts of the country where they either teach in schools or hold clerical posts. There are some ten Moulvis in the village. There are five path shalas, one H. E. School and a Madrasa in the village. There are two girl schools, where a few girls of the village receive their primary education. No girl has as yet gone out of the village to receive higher education. Some of the pathshalas have obtained Government aid and others are financially helped by the " Union Board."

The educational expenses of the boys and girls are defrayed by their parents. A poor fund to help poor students was started in the year 1920, by public subscription. A few students were helped

by it ; but owing to the negligence of its executive members it has now ceased to exist.

No one has ever gone to any agricultural institution from the village.

There is only one library in the village, containing a few novels—Bengali and English. Serious literature is practically absent.

VILLAGE ADMINISTRATION.

The village administration is conducted by the village panchayats or Matabhars or headmen. If a dispute arises between two parties and if one party proposes the case to be decided by panch, the other also usually supports it. They both approach the 'panch', who agree to go to a selected place on a particular day, hear both parties, and declare their decision. In this way many cases are decided. This is done in the case of ordinary and general disputes—disputes that may lead from words to blows or that may arise for any property rights.

There is a sort of "Samaj" system in the village. A few families agree on certain principles such as (1) every member of the "Samaj" must be informed when there is marriage in any one family—in which a feast is compulsory, but to be exempted from such compulsion a formal permission from the Samaj is also essential (in recent years almost everyone escapes the expense of feast by obtaining formal permission), (2) penalty for any religious crime or violation of Samaj rules must be prescribed by the Samaj. (Penalty at first begins with the expulsion of the guilty person from "Samaj" concerns, but it ends in a feast accorded to the members of the Samaj by the offending party).

Thus we see in the village two kinds of administration—Political and Religious.

Criminal cases (such as *danga hang a man* or theft) are first brought to the notice of the village chaukidar and then only to the police. But since the establishment of the "Union Board" most cases are decided by it. Poor villagers prefer to go to the "Board" rather than to the courts. Litigation is rare in the village. In one part of the village party spirit is very strong and a few criminal cases are sent to the courts from this place.

A sort of tax called "chaukidari" tax is imposed on the villagers for the services of the chaukidar and also for village, sanitary and public expenses. It ranges from 8 as. to Rs. 10 according to income from every house.

HISTORY AND PROSPECTS.

From the evidence of the villagers and also from personal experience, it appears to be clear, that the villagers are improving steadily. They are furnished with more resources. They have become more thrifty, productive and economic. But their health has greatly deteriorated.

Co-operative purchase and sale societies may meet with success in the village if the villagers can be convinced of the utility of such bodies in the proper manner and in a sympathetic spirit.

AN ENQUIRY INTO THE CAUSES OF RURAL INDEBTEDNESS

BY

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Of late increasingly great attention is being paid to the problem of Rural Indebtedness, both by the Government and the Public. The Government is puzzled at the great increase of debt among the agricultural population. The public, as usual, throw the blame entirely upon the Government, thus ignoring its efforts towards the amelioration of the rural population. There is no dispute over the fact that the rural population is daily getting more and more involved in the quagmire of indebtedness. Perhaps it may be useful at this stage to state, that, debt by itself, provided it is productive, is not bad. It becomes a millstone about the borrower's neck only when it is unproductive. A productive debt is not only a source of strength but also a means by which the wealth of a nation may be increased. But the unfortunate fact about India's rural debt is that most of it is unproductive.

Various estimates have, of late, been made as to the extent of India's rural indebtedness. One of the most recent is that it is as high as Rs. 600 crores. Though this figure represents a huge sum it need not cause us any anxiety. In Germany, one of the most advanced of agricultural and industrial countries, the burden of debt is still heavier, amounting to 50 times the rental value of land, while in India it only amounts to 20 times. The redeeming feature about Germany's debt is that a major portion of it is productive. The concern about India is that a major portion of rural debt is unproductive. The reasons why we think that India's rural debt is unproductive are briefly sketched below. These reasons also reveal the causes of India's rural indebtedness. The factors that are conducive to the growth of rural indebtedness could be classified into two main groups. The one we may call, for the sake of convenience, as the causes that compel the ryot, as it were, to borrow, the other we may call, the mechanism which facilitates the ryot to borrow. We shall first deal with the two groups of causes, then

an examination of remedies adopted hitherto will be made, and lastly we shall suggest some remedies.

Many are the ways that lead the ryot into debt. The first and foremost among the causes is the uncertainty of the rainfall; and consequently of getting a normal harvest. In any highly industrialised western country, modern conditions have made the cry of famine only an echo of the distant past. Perhaps it may be difficult for an ordinary westerner unacquainted with Rural India to realise how real is the fear of famine among the ryots. The whole outlook of the agriculturist in India is coloured by this fear. When the Finance Member of the Government of India feels anxious for a favourable monsoon, he only shares this anxiety with the whole population of India. To an Indian ryot a few inches more or less of rain means all the difference between prosperity and famine. To him Nature wears the aspect of a fickle and destructive deity which ought to be coaxed into blossoming into prosperity, but if the ryot does not succeed in his endeavour he resigns himself to his fate, so characteristic of him. Perhaps it may be urged that lands with an assured supply of water for irrigation are to a certain extent free from the fear of an adverse monsoon. Let us grant this. But what is the extent of land thus irrigated? India has a total cultivated area of 257 millions of acres, of which only 48 millions or 1/5 of the land is irrigated. The bulk of the land depends for the supply of its life giving water upon the chances of a favourable monsoon. From this, the extent to which the Indian ryot is left to the tender mercies of the seasons may better be imagined rather than described. It is ascertained that even in good irrigated lands, a good year comes only in a cycle of five years. In places with precarious Irrigation facilities the chances of a good year are still less and bad seasons occur with greater frequency. An average season, not to say an adverse season, surely sends him to the money-lender. Of all the necessities of a man hunger is the most potent. Hunger, then, is the first and foremost cause of rural indebtedness.

What prevents the ryot from getting a sufficient food supply? There are certain peculiarities in Indian social and economic life that militate against his getting a sufficient quantity of food even in good years. One of the foremost is the law of inheritance which

is the root cause of the sub-division and fragmentation of holdings. Not only are the holdings parcelled out, but they are very small. In fact, the holdings are so small, that by themselves they could not support an average family of agriculturists consisting of 5 persons. The extent of the average economic holding varies according to the nature of the soil, the climate, the rainfall, and the nature of the crop grown. A market gardener can support himself and his family on an acre of land. The ryot in the dry lands of Madura and Tinnevely would require as many as 25 acres. Consequently the extent of an average economic holding varies very much in India. But it is an ascertained fact that the majority of holdings are neither average nor economic. It has been proved without a shadow of doubt, that without a secondary occupation, or a life of unremitting toil, a ryot could not make both ends meet. Dr. Mann comes to the same conclusion in his studies of the Deccan villages. The writer of the present paper has also reached the identical conclusion in his study of a South Indian village. The ryot has not got the first requisite; for the second, climate, and disease unfit him. In water logged areas like the Central Punjab and Bengal, malaria prostrates him. In dry areas the ryot has not the wherewithal to sink a well and thereby improve the land.

Not only are the holdings by themselves insufficient to produce enough to keep the ryots' body and soul together from one end of the season to another, but they are fractionised to a degree impossible to realise. It was the late (Sir) Suren-dranath Banerjea who first drew our attention to this state of affairs in Bengal. Since then much valuable information has been collected. In the Deccan Keatinge has devoted much labour and energy to the task of ascertaining the existing state of affairs. The same story is told throughout India. This fractionisation is doubly wasteful: wasteful of effort and consequently of production. It renders the effective exploitation of the land impossible. The cause of all this is the Hindu Law of Inheritance and the perversity of man which that law encourages. The ryot with his tiny holding scattered throughout the length and breadth of the village finds it impossible to increase the productive capacity of land.

Not only are the ways of increasing the product of the land thus effectively barred from the ryot but he has actually more

mouths to feed than formerly. The security brought about by the "Pax Britannica" has engendered a vast increase in population. "The fertility of an Indian woman" says a recent author "is proportionate to the fertility of the soil." Thus the more fertile the soil the greater the number of people it has to support. In portions of fertile Punjab, Bengal and Tanjore the population per square mile varies from 1,000 to 600. This population is too much for a purely agricultural country to support. In the most thickly populated regions of Belgium and Germany, two outstanding examples of agricultural and industrial nations, the density is nowhere more than 500 per square mile. As a writer puts it, within the last fifty years India has witnessed the spectacle of an increase of 100 millions of population. The increase in productivity, if at all there is any, is swallowed up by an increase in population.

Deaths among cattle owing to the frequency of draughts and consequent fodder famine are a frequent source of loss to the cultivator. Forming the principal element in his agricultural capital as the cattle are, he has necessarily to borrow to make good his loss. Draughts mean loss of the harvest. The additional item of expenditure, when he is hard put to it to make both ends meet, hits the ryot hard. The problem is now, as always, solved by a resort to the money-lender.

Another cause of indebtedness is the recent rise in prices. There seems to be a widespread misapprehension in certain quarters that the rise in prices has been beneficial to the Indian ryot. The studies of Dr. Mann have been made in vain if they do not prove the contrary to be the truth. The recent investigations of Mr. Darling into the indebtedness of the Punjab Peasantry prove that the small cultivator with *no surplus to sell* is rather adversely than beneficially affected by the recent rise in prices. The majority of the cultivators are only small holders. The Indian ryot is also neither intelligent nor organised enough to turn to advantage the high state of the market.

The social customs of the cultivator are also another fruitful cause of debt. Such occasions as marriages and funerals make a fearful drain upon his purse. The expenditure on these occasions is rather heavy, and invariably financed from loans, which we fear

are never intended to be repaid. The habit of wearing gold and silver as ornaments, instead of investing them in Banks is another fruitful cause of debt. We would be unfair if we failed to draw attention to that pet hobby of the Indian ryot which entails a drain upon his slender purse. I mean his love of litigation. The necessity of paying a fixed money rent to the Government irrespective of the character of the season is one of the minor causes of debt. Students of Indian History know that this was not the case in Mogul India when the rent was paid in kind. There the ruler shared with the subjects, either the prosperity or the vicissitudes of the season. But now the assessment is a fixed yearly charge upon his purse whether the season be favourable or not. A bad season sends the ryot invariably to the money-lender.

If conditions in Rural India, rightly or wrongly, induce the ryot to borrow, the facilities for doing so are equally fatal. For example the clear titles which the modern system of land revenue has conferred upon the ryot render it easy for him to raise a loan by pledging his land. Before the introduction of settlements property in land was vested in the village community, analogous to the feudal system, but only there was no feudal lord. The exact location of the land of an individual ryot was never certain, and the community had a right to change his portion according to the character of the season. The clear titles conferred by the settlement, combined with the growth of individualism, has dissolved the keen sense of village solidarity. The field is thus ready prepared for the money-lender.

Another factor that facilitates borrowing is the recent rise in land values. A result of two distinct forces, in its effects, it is nevertheless, damaging. Failing other sources of secure investment land was always considered a secure means of investment. It was a much desired possession, since a possession of land gained social distinction. The paucity of sound industrial undertakings combined with ill-managed banking institutions sent a man of means to the land, for with him, to quote a Tamil proverb, "land does not run." The demand for land has increased its value. The ryot, finding the value of his land increase without any effort on his part, is like a modern Rip Van Winkle who does not understand the situation. The rather big slice of fortune which this unearned increment brings is easily squandered away by the ryot who finds his credit

suddenly increased. The money-lender, always keen to do good business, and with an eye on land is there ever ready to lend money and more money.

It may be asked why should the money-lender advance the money at all. He has a supply of idle capital which is itching to find employment. By nature and tradition he is canny of letting his capital go out of his control. Land offers him the best security. So he not only loans out his money to the needy but actually woos the prosperous and lends out his cash.

The case and secrecy with which a loan could be raised from a money-lender is next one of the causes of indebtedness. Once a loan has been incurred it tends to stick like a burr to the person of the borrower. The money-lender never desires repayment, in fact he fears such a contingency and the ryot is rarely, if ever, able to pay in full. He is left with only two options : either not to pay or pay in full. The money-lender has no fears about the safety of his money, and the loan is never repaid.

The ryot is not able to pay interest in cash, so he pays in kind. Sometimes it forms a stipulation in the contract that interest should be paid in kind. This is recovered by the Sowcar on the threshing floor itself and credited at a specially low price called the "*Kalathu vilai*" or threshing floor price. The debt thus incurred tends to increase. An unproductive debt is always bound to increase. Add to this the one-sided system of account keeping, and the fact that owing to the badness of the seasons the interest is never paid in full, and we have summed up all the causes that tend to the increase. More often than not loans bear compound interest. The power of compound interest to increase the capital is well known.

The modern system of law, administered by the town bred and over-worked munsiffs, becomes an engine of oppression in the hands of unscrupulous shylocks who would not be denied their pound of debtor's flesh. On the other hand, though invested with ample powers to do so, the modern Judge finds it beyond his capacity, even if he had the inclination, to go behind the contract and deal Justice with an even hand. The illiterate ryot has got no proofs against the records of the Mahajan. Thus it must be conferred that in its operation the law helps the money-lender rather than the ryot.

By the force of custom, by the operation of economic causes which he understands little, and by the facility with which he can borrow money, the ryot is drawn into the quicksands of debt. The question now arises, is there no method by which to put the relations between the debtor and the borrower on an impersonal footing and to ameliorate the ryot generally

Firstly, we shall examine the measures adopted by the Government to remedy this state of affairs and secondly, we shall suggest some remedies.

Various Acts have been passed from time to time with a view to mitigate the hardships of the ryot. Acts have been passed empowering the state to come to the assistance of the ryot in times of famine and for finding capital generally. Civil Courts have been invested with powers to go behind the contract and deal justice with an even hand. The eviction of the ryot from his land by a money-lender, for the non-payment of a loan, has been sought to be placed under especial difficulties. The ryot's intelligence has been sought to be enlarged by a system of education and last but not least, machinery has been created to make the lender an impersonal being, and make him understand the borrower, and sympathise with him.

The long series of legislation which sought to assist the ryot was heralded by the Land Improvement Loans Act of 1883, and the Agricultural Loans Act of 1884. Both these Acts are complementary. The Deccan Agriculturists Relief Act of 1879 and the Usurious Loans Act of 1917 are two outstanding examples of legislation empowering courts to go behind contracts. Of the working of the latter we have no certain information, of the latter "it is believed" says V. G. Kale "that the Act has had a demoralising effect upon creditors and debtors alike." Moreover it was not such a success as it was intended to be. The Punjab Land Alienation Act sought to render it difficult for the non-land owning money-lender to evict the peasant in settlement of his debts. Authorities are agreed in thinking that the object of the Act has not been fulfilled. The Act created a new class of money-lenders who sprung from among the agriculturists themselves. Being already owners of land the provisions of the Act did not operate against them.

The foregoing review of the measures adopted by the State towards the amelioration of the rural population and their general inadequacy brings us to another piece of notable legislation which has attained the object aimed at. It is the Co-operative Credit Societies Act of 1904. The Act called forth the best in the governed and the Government and the result is a fine net work of Co-operative Credit Societies throughout the length and breadth of India. The movement has developed rapidly within the short period of 15 years. In 1906-07 there were only 149 societies with 1,000 members. In 1922-23, the latest year for which statistics are available there were 56,136 societies with 2.1 million members, and a working Capital of 3,553 lakhs. The capital of the societies is increasing faster than membership being now nearly Rs. 169 per member, the average membership per society is now 37 and the capital is Rs. 6,331 per society.

The appeal to self-respect and village solidarity which the co-operative society makes has had its ready response from the ryots. They recognise in the Co-operative Credit Society not only an organisation for emancipating them from the money-lender, but also an institution which tries to develop and bring forth all that is best in them. That the co-operative principle could be adopted to suit the necessities of any situation is amply illustrated by the variety of uses to which it has been put in such widely different countries as Ireland, Germany, Italy and India. In India we find the principle put to a variety of uses notably in the Punjab and Bombay.

In the former province "on the basis of the co-operative movement, a real school of rural economics is being built. Societies for such various purposes, as the consolidation of holdings, for the arbitration of disputes, and for the purpose of co-operative marketing have been formed and are successfully working. The contribution of Bombay to the co-operative movement in India is the enterprise of co-operative banking which is proving to be quite a success.

The results of the introduction of the co-operative movement have been very beneficial as could be judged from the following statistics. In one province alone there are 10,000 Societies with 25 lakhs of members, who paid back 89 lakhs of debt, 20,000 acres of land have been redeemed and 15,500 acres taken on mortgage for

34 lakhs of Rupees and 13,700 acres have been purchased for Rs. 32 lakhs. The Credit Societies possess 120 lakhs in shares and undistributed profit, while 33 per cent. of the members are entirely free from debt and the assets of all the members have been increased by one crore of rupees.

The spectacle of one releasing oneself by voluntary effort from the bondage of debt has given rise to a democratic feeling. As a result of the spread of the co-operative idea, the standard of life has increased, the light of education has spread, and thrift has been placed at a premium. My one appeal to educated men is, that they should continue to play their part in introducing the co-operative movement into every village, however small it may be.

Co-operation, then, is the remedy which we advocate for the upliftment of the ryot. By the spread of co-operative ideas, the standard of morality is bound to rise and as it is in itself an educative force, education is bound to spread. In short, co-operators are optimists. The basic assumption on which they work is that the rural masses can be uplifted on to a higher plane of wealth and culture, and that the 'poor etilitera peasant' need neither be 'poor' nor 'illiterate' and the 'stupid cultivator' will respond to the efforts to make him intelligent, and in short, the future of India depends upon the measure in which the mass of the people can be taught to understand the influences that mould their lives.

AGRICULTURAL PROGRESS AND NON-CREDIT CO-OPERATION

BY

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The student of Agricultural co-operation finds an arresting fact in the extraordinarily slow progress made in the organisation of

1923-24		India.	Madras.	non-credit activities in India as compared with that of (1) credit activities in this
Number of Agri. credit societies	..	52,890	8,103	
Do. Agri. non credit societies	..	1,755	203	
Total No. Agricultural Societies	..	54,645	8,306	

country and (2) non-credit activities in other countries. Let us compare with ours the figures of some countries famous for Agricultural co-operation. Germany whose lead is supposed to be closely followed by India had in 1924 very nearly 40,000 agricultural societies of which only about 20,000 were credit societies and the rest were non-credit; moreover, half the number of credit societies were doing a lot of collective purchase for their members, while some of them were also selling the produce of their members. Japan which has in some respects rigidly followed the German model had at the end of 1921 nearly 14,000 societies of which only about 3,000 had been organised purely for credit; others were engaged in some form or other of non-credit work (purchasing, marketing, producing) along with or without credit business. In the cases of Ireland and especially of Denmark and the United States, societies organised for credit are of less importance. We have no means of knowing the number of credit societies in India doing also non-credit work; but judged by the volume of transaction of both kinds of all agricultural societies, credit holds the field easily. Loans to individuals amounted in 1923-24 to Rs. 723 lakhs, while purchase and sale accounted for Rs. 91 lakhs only. Figures of 'profit and loss' are not available separately for the different classes of societies in India. But in the Madras Presidency the divisible profit of all credit societies amounted to Rs. 4,71,600 (though the book

profit was Rs. 16,84,000) while of the 77 purchase and sale societies 47 had a profit of Rs. 10,220 and 30 incurred a loss of Rs. 38,210; and of the 4 production and sale societies 2 worked at a net profit of Rs. 2,560, and the other 2 at a loss of Rs. 14,780.

CO-OPERATIVE STATISTICS.

Before dealing with the causes of the slow progress of non-credit activity, attention may be drawn to the very inadequate and somewhat misleading statistics published by the Government of India in the annual 'Statement showing progress of the Co-operative Movement in India', especially on the non-credit side. This statement is probably the thinnest of the publications issued by the Department of Statistics. A few glaring defects may be pointed out by way of illustration

(a) The classification of societies is not sufficiently detailed: *e.g.*, Purchase and Sale societies are lumped together in one column. Now, it would be instructive to know how many were doing purchase alone, and how many sale, and how many both. For in European countries purchase has proved a simple affair, while sale is admitted on all hands to be the most difficult.

(b) The different kinds of transactions of various classes of societies are not entered separately and it appears that interpretation with regard to a transaction that must find an entry in some particular column varies in different provinces, *e.g.*, there is no column in the Imperial Statement to indicate separately the purchase and sale transactions carried on by societies merely as agents of the members on a *commission* basis, as distinguished from *outright* purchase and sale—societies undertaking all the risks. In Madras, the practice has been to enter only the latter transactions under 'Sales of goods to members' and 'Purchase of member's products', while in Bengal both kinds of transactions are said to be included. Such fundamental differences in interpretation vitiate all comparisons of achievements in the provinces.

(c) We have no details of the commodities purchased or sold, *e.g.*, we have no opportunity of knowing how far improved agricultural implements or concentrated manures have been popularised by the Co-operative societies.

Even the Provincial Administration Reports are not quite illuminating; the transactions are not fully exposed to the gaze of the student. It is curious—and this is another indication of the overwhelming importance attached to credit—that certain items of joint purchase and joint sale carried on by credit societies are annually published while such items are not published in the case of societies—'Purchase and sale'—specially organised for such transactions. Often a bald statement of figures concerning non-credit is all that is published. It is not uncommon to find societies held up as models in one year showing signs of decay next year. There seems to be a fatality about it all. Extracts from District Administration Reports give but meagre and lifeless account of the few non-credit societies. The Board of Agriculture has more than once complained of the inadequate and improper classification of co-operative societies; and some of the provincial Registrars are not less discontented with the existing compilation of co-operative statistics. No herculean efforts may be needed to rectify the small errors and supply more ample information to the public.

PREPONDERANCE OF CREDIT

The preponderance of co-operative credit in India has been explained and justified in some ways. (a) It is said that there has been nothing in the past institutions of the country, indicating any organised activity for production, purchase and sale, while in the case of credit the hoary institutions of "Kuttuchittu" and the more modern 'Nidhis' rendered co-operative credit readily acceptable. There would have been little need for co-operative purchase and sale in a stage of self-sufficing rural economy. But it is worthwhile enquiring whether the village communities were not themselves organising some forms of co-operative work, *e.g.*, the repair of irrigation works, maintenance of breeding bulls, and pasture grounds. Can we trace anything similar to the common cheese-making arrangements in the Alpine valleys and the sale societies organised long before the co-operative law in Japan?

(b) This one-sided development is said to be in accordance with the evolution of co-operation in other countries. But nowhere do we find a parallel to such slow progress in non-credit work—not even in the history of co-operation in Germany and in Japan, where the first co-operative law was passed in 1899. The American

Commission on Agricultural Co-operation in Europe wrote in 1913. "...all the European leaders agree that co-operative agricultural credit is the foundation of a successful and permanent agricultural business. But it is not all of that business...there is not a single country in Europe that has not developed a more or less complete system of agricultural co-operation."

(c) It may be said that credit is the greatest need in agriculture, and, given timely and adequate credit, the serious handicaps to ryots in respect of purchase and sale and production will vanish. Credit can undoubtedly help the ryot in holding out his crops for sale, and in this connection may be welcomed the Crop Loan Unions of the Tanjore District which advance money on pledge of produce harvested. But granting this freedom, is the cultivator really competent to buy and sell of his own, especially buy the requisites of modern agriculture which we all desire to see spread, and deal with the distant export market? Is he strong enough to resist the enticements of 'Forward Sales'? And should he fritter away his time and energy in other fields than production?

The evils of the present system of marketing and purchase are partly revealed in the large differences in prices between the harvesting season and six months after, between the village price and the bazaar price and the enormous difference between 'Forward Sale' price and harvest price, *i. e.*, really between the prices of the mortgaged crop and the free crop.*

The phenomenally low yield of crops in India and the notoriously bad quality of some of our crops—due partly to inefficient cultivation and partly to mishandling and deliberate adulteration by middlemen and merchants—must be rectified. It is necessary to see that money borrowed is well laid out on agricultural requisites and that the effect of efficient cultivation is not neutralised by defective methods of purchase and marketing.

Apart from the inherent difficulties of management of co-operative societies for other than credit purposes, certain general causes may be suggested for the paucity and poor achievements of non-credit activities in this country hitherto; and the methods and prospects of improvement indicated.

* Difference often amounts to 100 p. c. in the case of crops like jaggery, pepper, areca nuts, cotton and even paddy as may be seen in studies of *'Some South Indian Villages'* edited by Dr. Slater.

STATE INITIATIVE.

The lack of State initiative in the past is an important cause in India, people being accustomed to look to State-aid and inspiration. Ever since the Madras Government commissioned Sir F. Nicholson to report on Agricultural Banks, the Government has been directing its aim towards the solution of indebtedness. The 1904 Act did not provide for the registration of societies for other than credit purposes. The Maclagan Committee dismissed the subject of non-credit in a few paragraphs, but they recognised that "the development of non-credit is not only inevitable but essential to the balanced development of the economic condition of the country as a whole." The Board of Agriculture in their sessions in 1916, 1924 and 1925 emphasised the importance of non-credit work, but they could not exactly define the relationship between the two departments of Agriculture and Co-operation and fix the responsibility for the supervision of such work. This purely administrative question ought to have been by this time easily settled: it is time that the feeling that 'non-credit was nobody's child' should go. The Madras Government seems to be anxious to develop non-credit side and it is understood that the recent reorganisation of the co-operative department has been partly effected with a view to devote greater attention to non-credit work. It would be desirable to insist on a knowledge of the principles of Rural Economics and a capacity to investigate rural economic conditions as an essential qualification for recruitment to the upper controlling staff; and opportunities must be given to the latter for intensive study of local conditions, to examine the prospects of new types—as is done in the Punjab, which is now held up as a model for some novel forms of co-operation.

EXPORT MARKET.

One important reason attributed to the success of co-operative sale in Denmark is that she exports a very large proportion of her agricultural products to a foreign market which welcomes them in standardised and preserved forms. In the case of goods for which there is a large home and local market, the scope for individual buying and selling is greater, and to pin a peasant down to his contract to deliver all his surplus produce to the co-operative society is a difficult affair. Arguing on this analogy may be said that in

India a large proportion of the agricultural produce is consumed within the country, the proportion exported is small. It is possible, however, to exaggerate the influence of this factor. Germany and Holland are food importing countries, and have big home markets for their produce; and yet co-operative sale is not a failure in Germany and co-operative sale of fresh fruits and vegetables has been a splendid success in Holland. In U. S. A. a good proportion of the fruits sold by the Fruit Growers' Exchange is destined for the home market. Much of the agricultural produce of any large country is required for consignment to distant markets in that country and may be dealt with co-operatively, other conditions being satisfactory. India cannot be treated as a whole: there are provinces like Burma and the Punjab which export large quantities of rice and wheat respectively. There is ample scope for co-operation in the sale of cotton, some oil-seeds, and many other commodities of export raised by small ryots. In regions of concentrated production it may not be difficult to except local sales for direct consumption and all that is consigned to an outside market may be sold co-operatively. What is really more essential to note than the foreign market in the case of Denmark is "a certain outlook and spirit of association, apart from which large exporting merchants, home or foreign, might have absorbed profits which now accrue to the land itself."* In India even the big exporting firms stand to gain by co-operative handling of agricultural produce, by cleaner conversion of certain kinds of produce, *e.g.*, decortication of groundnut by machinery instead of unshelling by damping hand process, and co-operative ginning of graded varieties of cotton instead of allowing it to be adulterated and damped by private ginners.

COMPETITION AND DESIRE FOR AGRICULTURAL IMPROVEMENT.

Indian ryots have not felt that grinding necessity to alter their methods of production that the West-European peasants felt after 1870 on account of the pressure of competition of cereals from the New World. Conservative as they were, they were compelled to learn the lessons of new agriculture or they had to go under. It is to extricate themselves from the deception practised by the partly

*Prof. MacGregor in "Agricultural Tribunal of Investigation." Cmd. 2145 p. 137.

unscrupulous and partly ignorant vendors of improved seeds, fertilisers and implements that they had to organise themselves in supply societies. Compulsory elementary education, popular instruction in the new agricultural methods, reform of land tenure, consolidation of holdings and similar measures no doubt strengthened the co-operative and agricultural movements. Indian agriculturists have not been faced probably by this kind and degree of competition in agricultural produce in their home markets, but in their foreign markets their position is being assailed, *e.g.*, by the raising of cotton in Sudan and Mesopotamia, groundnut in French Africa, and castor in Java. The lower prices generally offered for Indian produce because of the brand of inferiority, and the great rise in the expenses of cultivation ought to spur them on towards better agricultural practice. The pinch is not yet keenly felt by the masses of ryots partly because of their frightfully elastic standard of comfort.

LACK OF LEADERSHIP.

But even if the masses were to feel, they might not succeed owing to lack of leadership and a want of constructive idealism regarding rural reconstruction. Socialistic ideas in the West gave birth to Land Communities first and to the much more modified forms of Co-operation later on. There was a passion for improvement and actual experiment in the minds of hundreds of leaders which resulted in action. Remarkably enough the Catholic Clergy, opposed to radical socialism, threw themselves heart and soul into the work of rural improvement in all Latin countries. Would it be too much to hope of the educated clergy of modern India, *e. g.*, of the members of the Ramkrishna Mission and the Arya Samaj to take up the work of rural reconstruction? For even from a spiritual point of view, a minimum standard of comfort must be ensured to the agriculturists before we can expect real peace and contentment for which agriculture has in this country been idealised from ancient times. In Denmark and Ireland the origin of co-operation is traced to the feeling of political humiliation felt by the Danish and Irish leaders who wished to wipe off the memory of their political defeat by peaceful rural reconstruction—which might also lead to political triumph ultimately. The feeling of political humiliation has not been lacking in India; but economic reconstruction as an end in itself and as a political weapon has been thought

of more in connection with industries than agriculture. There has no doubt been for long an agitation for the reform of land revenue and land tenure, and the welfare of the ryot has been at the heart of the leaders of the country. But there has not been that active, energetic work in connection with the improvement of agriculture on modern lines and the organisation of agricultural societies for business ends, which has been carried on by Sir H. Plunkett and others against huge odds and incessant difficulties. The obstacles to agricultural progress and organisation are no doubt great but not all of them insurmountable if there be the grim will on the part of the elite of the land.

RURAL EDUCATION.

We have in India nothing like the Young Men's Associations, organised almost in every village throughout Japan, since the time of the Restoration (1868) with a view to improve the morals and welfare of the younger generation by means of lectures, libraries and exhibitions, which have incidentally promoted the spirit of co-operation in the country and are said to account for the wonderful progress of the movement in Japan. We are still in the stage of enquiry into the best methods of rural education. The days of 'People's High Schools' as in Denmark where they have been closely bound up with the elevation of the peasant class are yet far off in this vast country.

AGRICULTURAL ASSOCIATIONS.

In European countries and in Japan, the substantial farmers had formed themselves into organisations, like the Royal Societies of Agriculture, Chambers of Agriculture, and Farmers' Associations, for the spread of agricultural practice on scientific lines and done a good deal of pioneering work in agricultural education before co-operation came into the field for the betterment of smaller farmers. Agricultural Associations organised in this country—at any rate in this Presidency—have not been of such spontaneous growth, not in response to any demand felt by the lauded gentry; but were mostly imposed from above by the Government and partly composed of gentlemen not actively carrying on agriculture themselves: they were also perhaps too much under the control of the Agricultural Department; no wonder, most of them died a natural death in this province. Probably other provinces are more fortunate.

CO-OPERATION OF SUBSTANTIAL FARMERS.

The co-operative movement in this country, overweighted with credit, has not taken into its fold the substantial farmers of the country. There is a certain amount of mutual suspicion and distrust between the two.

Whatever be the practice concerning the composition of credit societies, non-credit organisations in other countries have enlisted the support of bigger farmers. Fay points out the treble significance of the development of the Haas Supply Society at Instarberg : (a) the supply societies have an important field in large no less than in small scale organisation ; (b) large and small farmers can successfully co-operate for supply while similarity of status is indispensable for credit ; (c) one important society may shelter its weaker brethren till they are strong enough to stand in equal alliance. Again, in Denmark, most noted for non-credit, co-operation was not confined solely or even largely to small holders. Faber, in his *Co-operation in Danish Agriculture* gives the following percentage of holdings of different sizes associated with co-operative dairies.

<i>Size of Holdings.</i>	<i>P. C. in Co-operative.</i>
	<i>Dairies.</i>
From 1 to 12 acres	84.9
„ 12 to 37 „	88.1
„ 37 to 73 „	90.3
„ 73 to 147 „	88.9
„ 147 to 589 „	82.8
over 589 acres.	49.0

LARGE SCALE OPERATION.

Large scale operation is an essential condition of modern business success, whether it be in purchase, production or sale. Co-operation must deal with as large a proportion of produce as possible raised in the area of its jurisdiction, if it should achieve any measure of success in competition with big Joint stock firms and the organised and resourceful agents and middlemen supplying the export market. In Denmark, 85% of milk cows supply milk to co-operative dairies which constitute more than 80% of the total number of dairies in the country.* For bacon-curing there were 45

* W. J. Jenkins : *Bombay Co-operative Quarterly*, September 1925.

co-operative factories killing more than 2·5 million pigs every year as against 4 million pigs killed in private slaughter houses.† In Holland, $\frac{2}{3}$ of output of dairy products, sugar and potato flour is said to be prepared in co-operative factories, $\frac{1}{2}$ of the artificial manure and cattlefood is purchased co-operatively, $\frac{3}{4}$ of vegetables and fruits, and $\frac{1}{4}$ of eggs produced are sold at co-operative auction sales and $\frac{1}{3}$ of the total number of houses are insured with co-operative societies.‡ Such an extent of co-operative monopoly is impossible of achievement at any time in a large country like India, with far less homogeneous physical and human conditions. But co-operation to be successful must command a decent proportion of the custom, produce or market. Spasmodic, isolated and small attempts that have been made so far have been mostly futile and have a tendency to scare away co-operative aspirants.

CO-OPERATIVE PURCHASE IN MADRAS.

Co-operative purchase was effected in the Madras Presidency in 1923-24, to the extent of Rs. 4½ lakhs—which included among a variety of goods : Improved ploughs, manures, seeds, cattlefood, rice and other foodstuffs and cloths. The total number of members of all agricultural societies slightly exceeded 3½ lakhs. Madras was for sometime famous for the Indent system of purchase through Trading Unions to which were affiliated credit and other societies. The late Mr. Hemingway estimated that the 170,000 members of all agricultural societies would require each Rs. 200 worth of articles every year, which could be co-operatively purchased resulting in a profit of Rs. 20 per head or Rs. 34 lakhs in all, which in the expressive language of Hemingway “ would thereby be taken out of the pockets of middlemen and put into the pockets of the ryots.” The enthusiastic Registrar continued “ That the above is not a fantastic dream but a cold possibility seems to be indicated by the recent experience of one of our Trading Unions, viz., that at Tiruvannamalai (where) the saving effected by joint purchase is estimated at 25%.” Many of these Trading Unions organised in a period of high prices and scarcity of supplies have ceased to do well ; and the very Trading Union which inspired the hopes of Hemingway and most of the other unions organised in the North Arcot District

† S. Gordon. Co-operation for Farmers.

‡ *The Times Trade Supplement, Netherlands and Colonies*, 14th November, 1925

—once considered congenial soil for distributive co-operation are working at a loss and some of them are likely to be liquidated this year. Unskilful management by part-time honorary managers is said to be the chief cause, but this is inevitable when operations are not on a large scale, and well-to-do ryots who can offer steady custom stand aloof. Mr. Hood, (Registrar, 1924) remarked "these rural stores have so far in this Presidency been as dead a failure as have co-operative stores generally in the United States of America." One reason advanced for their failure that the difference in prices between wholesale and retail is not so great as in Europe, and the margin is too small for co-operative societies to work is not quite valid; for it is partly concealed in adulteration and short weights and measures. Organisation on a bigger scale would make the bargain economical and no other country operates without the formation of wholesales.

CO-OPERATIVE SALE IN MADRAS.

As regards co-operative sale in Madras, outright sale effected both by credit and purchase and sale societies amounted only to Rs. 1.6 lakhs; while sale on a commission basis was for Rs. 3.92 lakhs. Judged by the items of joint sale of members' goods effected by credit societies (which alone are published) the quantities offered for sale should have been extremely small; and there is a total lack of continuity in transactions except in the case of a very few societies; no one product would seem to be offered by one and the same group of societies for sale year after year. 'Tried and found wanting' seems to be stamped on the face of such transactions.

The only exceptionally successful sale society in Madras has been that of the S. Kanara Garden Planters which sells on a commission basis 2 to 4 lakhs of Rupees worth of areca nuts, pepper, cardamoms, gram, paddy, etc. It is said to deal directly with the big Bombay Merchants in Mangalore and to be composed of somewhat substantial farmers. Another interesting sale society organised for the Nilgiri Potato growers has an opposite tale to tell owing chiefly to the members being impecunious Badagas, who cannot resist the temptation of the advances, for forward sales, offered by the Lubbai merchants. The idea of linking Agricultural sale societies with urban stores, in their mutual interests, is one worthy of

consideration. But it is not likely to find acceptance in the atmosphere of distrust and failure

AGRICULTURAL IMPROVEMENT, THE BASIS.

COTTON SALE.

The success of certain classes of societies depends on the degree of response made to the efforts of the Agricultural Department. For instance, a cotton sale society is not likely to be a great success unless there is a wide adoption of any particular quantity of improved seeds so that a large and steady supply of uniform quality of cotton can be co-operatively ginned and sold; the offer of small lots of superior quality introduces ginning difficulties and cannot withstand the boycott of merchants. This may have a re-action too on the disposition to agricultural improvement.

MILK SOCIETIES.

The interdependence between agricultural improvement and co-operative development can nowhere be better exemplified than in the case of the dairy industry. Madras has no milk societies, or Dairies or Ghee societies. Such societies are not likely to prosper without adventitious aid as long as the best breed of milch-cattle in our country is a poor milk yielder. The average net income per head of such cattle in this Presidency according to an authoritative estimate is only 4 pies per day.* Carruth in his *Madras Dairy Trade*, has pronounced the milk industry in this city a bankrupt one and provided some justification for the adulteration and other tricks practised by the impecunious milkmen. The she-buffalo is a somewhat better yielder of milk which is also richer in butter-fat, and is better fitted for the dairy industry. There is little demand for butter, but there is great demand for ghee of some kind or other. The organising of ghee societies, however, in tracts where there is a large demand for raw milk is not a business proposition as shown by Mr. Ananda Rao in his 'Economics of ghee Trade.† Even elsewhere, the production of ghee by itself is not profitable. But in the ghee districts of Madras, ghee is sold at a low price because it happens to be a by-product, the chief one being curd or butter milk. The supply of ghee is far short of the demand; but there

* Madras Year Book, 1923.

† Madras Agricultural Lept. Year Book, 1919.

is little demand for pure ghee at an economic price, hence the roaring trade in 'ghee mixtures'. A surplus of milk which cannot be consumed raw in the locality seems to be an essential prerequisite to the starting of a dairy; and we in Madras have not yet reached that stage. The problem of milk supply in cities is becoming very serious, and no adequate solution has been found. The milkmen in the cities are a particularly difficult lot to deal with, but consumers' milk societies in which servants may be engaged for the caring of animals can be no effective substitute on account of the great personal care and interest needed to look after good milk animals. The improvement of the breed of milch-cattle is a *sine qua non* to any progress. Work in breeding has just begun but there are grazing and other difficulties which have yet to be tackled.

AGRICULTURAL RESEARCH AND IMPLEMENTS SUPPLY

The degree of response to the efforts of the Agricultural Department is also partly determined by the stage of agricultural research and the unanimity and decisiveness with which expert opinions are pressed on the attention of the public. [The demand for Madras would be 1 million ploughs every year.] The demand for improved ploughs, for example in 1924-25, was at the rate of 1 plough for over 20,000 acres in this Presidency, while according to Sir A. Chatterton's calculations the potential demand for Madras would be 1 million ploughs every year. The iron ploughs purchased by ryots would not seem to be all used, according to the Statistical Atlas of the Madras Presidency. Many ploughs purchased by co-operative societies on the persuasion of co-operative or agricultural department officers, are said to be rusting in the societies premises. This want of appreciation is due to some extent to the very varying conditions of soils, climate and cultivation in South India which make it very difficult to recommend one or a few existing patterns. The Dept. has recommended a number of ploughs for different classes of work and soil, but the designs are not looked upon as final. More research work would seem to be necessary to get over this state of indecision on the part of the experts which militates against the production on a large scale in India of a few well designed types at cheap rates.* The

* Sri A. Chatterton in the Asiatic Review, July 1925.

aim to keep down the number of models is not less important from an educational point of view and that of the supply of spare parts. The improvement of draught cattle is an even more pressing problem in connection with the use of improved ploughs.

AGRICULTURAL PROTECTION.

Madras has had a unique form of co-operative production, viz., that of product of bonemeal; but progress has been far from encouraging and the biggest society has sustained a very heavy loss. Lack of loyalty and competition from outside are adduced as reasons for failure. The most important cause is the very limited use of such manures owing to high prices and the remedy suggested is somewhat drastic. State aid cannot be confined to the provisions of facilities for research and education. Protection of agricultural industry by the control of export of some of the concentrated indigenous manures has been strongly urged by the officers of the Madras Agricultural Department. There are at least 12 million acres needing the use of these manures, oil cakes, fish manure and bonemeal; but large quantities of these are being exported to Japan, Ceylon, Java, etc., while some quantity is used up in the plantations here. The ryots appreciate their value but cannot use them at their present prices except for the most valuable crops like sugar cane. Unless prices are brought down by controlling export—prohibiting the export of fish and bone manures because of their strictly limited supply and the levy of an export tax on oil-seeds and cakes according to their nitrogenous contents—the Agricultural Department may be sullying itself by advocating the use of these costly manures. It is necessary at the initial stages to bring down prices artificially and stimulate their common use; the demand may grow and after some years their prices may rise without leading to a diminished use. The reduction of prices is not bound in all cases to reduce the supplies as the Indian Fiscal Commission argued; for bone is only a by-product; fishermen will not change their occupation or work less, and even in the case of oilseeds there may not be a great shrinkage as the choice of such crops is determined also by other considerations than prices, largely by the system of rotation of crops. The expansion of the home market may lead to the elimination of middlemen's profits and may not severely affect the producers.

But even at the risk of affecting them, stern manurial policy must be adopted in the interests of the retention of the fertility of land which is being depleted by these "illegitimate exports."

FINANCE.

The problem of Finance of non-credit activities is not likely to be insoluble if, especially, the well-to-do ryots are also induced to cooperate and subscribe large share capital. At present in the Co-operative Banks of the Madras Presidency more funds are available than can be properly utilised on the credit side. The surplus funds of Madras seem to be going a begging for investment in other provinces; and the overdrafts allowed by the Imperial Bank are only partially availed of. There is no reason why after the firm establishment of non-credit activities more funds should not be forthcoming from the Joint-stock banks for the finance of co-operative wholesale trade.

EXTERNAL CAPITAL IN INDIA

BY

C. GOPAL MENON, M.L.C. (MADRAS.)

Every country and every nation must in the course of its economic and political evolution reach a stage when it should think in terms of its own prosperity and its own well-being some reach it earlier and some later in the progress of time. Those which reach it earlier, can achieve it easily, establishing their domination over the less developed and less civilised countries. Those which attain it later, have to accomplish it against heavy odds, against vested interests and against strongly entrenched opponents, first for self-preservation, then for self-aggrandisement. There is no doubt that we are at the humble beginnings of the earliest of those stages, while America, most European countries and one Asiatic country have stolen a march over us and passed from the stage of self-preservation to self-aggrandisement. What is beyond that stage, whether there will come a time when each country and each nation will begin to think more in terms of others and less of themselves, it is too early to say and idle to surmise. Attempts are being made in different spheres of human activity for looking upon others with detachment, with equal sympathy and good will as upon themselves. That is a more advanced stage.

When we think of India, its dependence or independence, political or economical, it is impossible to escape considering the case of England, and England's position in economic world need leave us in no doubt as to her attitude towards every other country. There is not a single considerable investment in England for which a foreigner can lay claim. Of her total national debt of £7,500 millions, more than 85 per cent. is supplied by her own nationals, and the external debt amounting to £800 millions cannot be traced in the factories of Manchester or Birmingham, but in the battlefields of France and Russia. Her total foreign investment is on a rough estimate in the neighbourhood of £4,000 millions scattered over both the Hemispheres in North and South America, Canada, Australia, South Africa, China and India. There is no

country in the world, not even the United States, the richest country in the world that has spread its colossal economical wings so wide as England has done. The war gave a set back to the rapid growth of such investments and even reduced them to some extent as the Government was obliged to commandeer foreign securities of British Nationals in a time of stringency to pay off her inconvenient creditors. Then to buttress up her position out, came the safeguarding of Industries Act, the Trade Facilities Act, the Anti-dumping Acts and rules, the over-seas Trade (Credits and Insurance), Act and under the auspices of the trade Facilities Act, streams of British Capital flowed into Australia, India, South Africa and South American Republics. In the over-seas Trade (Credit and Insurance) Act it is definitely provided that no credit should be granted by the Board constituted under the Act to an alien or to a firm in which the majority of the partners are aliens or to a company where British subjects did not form a majority of the Directors or where a majority of the voting power was not in the hands of British subjects. The result of this unceasing flow into India, during a period of over two centuries, is in a large measure represented in what is seen of the commercial and industrial India of the present day.

The tea, coffee and rubber plantations of Assam and South India, the gold mines of Mysore, the coalmines of Bengal, the petroleum mines of Burma, the jute industry, the carrying trade, the Banking and Insurance Companies, the numerous trading companies, and the bulk of Railway and Irrigation and Hydro-Electric works represent the foreign capitalists' joint stock enterprise in this country. The External Capital Committee classifies the forms of foreign capital into three categories, according to the extent to which such capital carries with it control over Indian industrial organisation and Indian natural resources.

1. Investments in which the external investor is merely entitled to a stipulated rate of interest and only acquires rights of control when there is default, as in the case of State and Municipal Loans, bonds and debentures of Private Companies and Bank loans.
2. Investments in which the external investor enters into competitive business on equal terms with Indian enter-

prises as in the case of cotton and other textile mills, mercantile houses and the like.

3. Investments in which the external capitalist acquires special privileges or concessions of land which give him exclusive possession or exclusive rights of exploitation of particular portions of the natural resources of India.

It is estimated by Profs. Wadia and Joshi that there are 634 such companies with a sterling paid up capital of £420 millions and debentures of £100 millions, while there are 3,668 companies with re-capital of only Rs. 123-28 crores. Of the paid up sterling capital of companies working in India, about 77 millions is invested in Railways, 18 millions in tea estates, 153 millions in Banking and Insurance Companies and 23 millions in Navigation Companies. It is difficult to estimate the amount of reserve funds held by the foreign companies and firms in India. It would be almost impossible to estimate the amount of foreign capital held by other than joint Stock Organisation by partnership and single man concerns whose figures never see the light of day; but seeing that they have spread over the whole country in all the principal towns, and seeing that they claim such stupendous businesses as those of the firms established in India, we can fairly conclude that they must have employed atleast a hundred millions on a modest estimate. It is interesting to know that this process of foreign capital is still going on unchecked normally to the extent of £13 millions a year and there are unmistakable signs of foreign syndicates forming to work cotton plantations in the Punjab and Sind, the Lloyd Barrage and the Hydro-Electric schemes in Madras.

Mr. Watson, Managing Director of the Burma Oil Company at their last annual meeting held in Glasgow, said :—

“ Both in Burma and in the Indian Fields we are training relatively large numbers of our own country-men in an art which they cannot learn in this country; *i. e.*, drilling personnel, and to the extent of our capacity to relieve the great burden of home unemployment by thus creating a new and profitable profession for these men.”

The Mysore Government said recently in the Mysore Representatives Assembly that Gold mining in Kolar was started 43 years ago and that up to the end of June 1925, roughly 14½ million

ounces of the gold of the value of 95 crores of Rupees was taken out and that the dividend paid to the shareholders of the company was about 31 crores of rupees up to the end of June 1925 and that 5 crores was paid as Royalty to Government.

Now, that gives us a fair idea of foreign capital and its implications in a nutshell. There is no doubt that there are many virtues claimed and conceded for foreign capital in this country, the rapid development of industries and so the shortening of the period of burden on the consumer in an era of protection, the import of technical skill and up-to-date methods, and the tapping of unknown sources of wealth and employment by Indian labour. It is also admitted on all hands that Indian capital is shy, inadequate and panicky. But, there is no reason for shame and despair. Germany in the beginning of the 19th century was in the same condition. It was admittedly an agricultural country; there was lack of capital; the habit of investment in industrial enterprises was unknown; banking facilities were lacking, and there was lack of experience and knowledge in Industrial matters.

And how she rose within a few decades to be one of the most efficiently industrialised and prosperous countries in the world is a matter of common knowledge. Prof. C. J. Hamilton who was Minto Professor of Economics, Calcutta, deputed by the Government of India to study the progress of Japan gives the same story of that country's rise. If so, is there anything inherently wrong with India and is there no hope of progress? We have only to traverse the history of the East India Company in this country to know why capital should be so lacking in India. The industrial Commission report says "At a time when the west of Europe, the birth-place of the modern industrial system was inhabited by uncivilised tribes, India was famous for the wealth of her rulers and for the high artistic skill of her craftsmen and that even at a much later period when traders from the West made their first appearance in India, the industrial development of this country was at any rate not inferior to that of the more advanced European Nations." That was in the early days of the Company's regime and before they obtained foothold in this country. What was the condition in subsequent years down to the time of the Mutiny, how little the governance of the country approximated to what may be called

benevolent rule and how closely it could be identified with commercial exploitation so natural in the career of a joint stock company have been accurately chronicled by the late Romesh Chandra Dutt. He estimates the annual drain of wealth from India at about one to two millions of pounds a year, for which there was absolutely no return in any form either of species or raw material or manufactures. Is it any wonder that a country so persistently deprived of its wealth year in and year out for a century and more, should at the end of that period find herself impoverished, her peasants starving, her industries throttled? And the more pathetic side of it is that part of this drained wealth came back to India in subsequent years under the imprimatur of Government guarantee of 5 per cent. and 6 per cent. rate of interest to be remitted at 22d. a rupee whatever the ruling rate of exchange, whether it be 16d. or less.

Then came a period of heavy taxes in England in the nature of income-tax and succession duty at which British capital took alarm and began to seek outlet into the dominions and dependencies. The Government of India, as if all these were not sufficient inducement for the flow of foreign capital to India, have made it a point to give up the pick of their contracts and their concessions in land assessment mining to foreign capitalists. Those are the circumstances which have culminated in the prostrate condition in which we find ourselves to-day, with no less than 60 crores of rupees going out of the country every year, indigenous capital shy and timid, and foreign capital flooding our markets year after year

It will be seen that all the progressive countries of the world have realised the wisdom of checking in some measure the unrestricted inflow of foreign capital. They did not venture upon a policy of protection till they made clear the ground for indigenous enterprise exclusively. How can that be done? The Government of India laid down the following policy under free trade conditions :—

“The settled policy of the Government of India is that no concession (Land, bounty, subsidy, prospecting license, etc.,) should be given to any firms in regard to industries in India, unless such firms have a Recapital, unless such firms have a proportion, at any rate, of Indian

Directors, and unless such firms allow facilities for Indian apprentices to be trained in their work."

It will be readily conceded that under a policy of protection the right to establish an industrial enterprise behind the tariff wall is by itself a concession. Between Government offering subsidy and bounty out of money collected in taxes from the people directly and making the people pay higher prices resulting from protective tariff, there is no distinction at all. Sir Frederick Nickolson says, "I beg to record my strong opinion that in the matter of Indian industries, we are bound to consider Indian interests firstly, secondly and thirdly. . . . I mean by firstly, that local raw products should be utilised, by secondly that industries should be introduced, and by thirdly that the profits of such industries should remain in the country. Speaking in 1916 in the Imperial Legislative Council, Sir William Clarke, then Commerce Member said, "The building up of industries where the capital control and management should be in the hands of the Indians is the special object we all have in view." He strongly deprecated the adoption of any measures which might mean that the manufacturer who now competes with us from a distance would transfer his activities to India and compete with us within our own country. The least that Government are expected to do as their supreme duty under the present policy of protection is not only to refuse concessions to those concerns, which did not satisfy the three conditions enumerated above, but to prohibit the working of any companies at all which declined to submit to those conditions. I would also suggest on the same principle as that on which counter-vailing duties are imposed, that as the bulk of such inflow of capital comes from countries in which the income-tax rates are high pitched, possibly to seek protection of the low rates of India, there should be imposed an additional discriminating rate of income-tax upon the proceeds of such capital, equal to the difference between rates in the two countries.

Concurrently with the imposition of restriction on the free influx of foreign capital it should be our endeavour to tap all indigenous services of industrial capital. There is no doubt that India possesses a large amount of capital waiting to be mobilised. The fact that between the years 1913-14 and 1923-24 the Government

Re-loans increased from 145 to 358 crores a similar rise from 80 to 154 crores and that the net imports of gold and silver since 1913 amounting to 482 crores, proves that the potential capital resources of India are far from being negligible. The question then is, how to increase the facilities for deposit and investment. Firstly, by the multiplication of Banks with greater co-operation and co-ordination between them and the Imperial Banks ; secondly, by the extension of public debt office facilities to the more important commercial centres outside the Presidency town ; thirdly, by Government offering loans, guarantee, concessions, expert advice, etc., to incipient industries and thus creating confidence and security ; the Government can help in very large measure the mobilising of indigenous capital by pioneering industries and by helping the floating of sound underwriting institutions and discount houses.

FOREIGN CAPITAL IN INDIA

BY

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Within the last few years the question of the employment of foreign capital in India has come to be widely canvassed. The Fiscal Commission called upon to report on the tariff policy of the country had to consider incidentally if any restrictions on the free flow of external capital must be imposed and the divergent views of the Commission on the matter reflected truly the differences that exist among the wider public. It will clarify the issue if the problem that foreign capital raises is stated definitely. There can be no difference of opinion, with regard to the value of capital as a factor in industrial development and if in any country indigenous capital be not forthcoming in sufficient quantities, external capital must be availed of. Every country almost without exception has welcomed the entry of foreign capital to develop her indigenous industries and India is no exception to this general policy. But the real issue in foreign capital arises when it is not content with its 'legitimate' reward but seeks to gain control and direction of the industries concerned. It is the essential distinction between loan capital and entrepreneur capital that gives character to the problem. Whilst the former gets merely its interest, the latter drains away the profits of the industry. It is not unnatural that as soon as the spirit of indigenous enterprise becomes active, attempts will be made to check this continuous drain of profits and to keep within the country the profits that will go to enrich and quicken the industrial development of the country. Since the great war India has felt the need for a more rapid industrial development and the change in the tariff policy she was advocating, was designed to enable her to fulfil this ambition. Under the circumstances her desire that the cultivation of her industries should be done by her own nationals and not by foreigners and that some restrictions towards this end should be imposed cannot be treated as altogether unreasonable.

But she is not, an indeed dare not be, oblivious of the immense economic advantages she has derived both from foreign capital and foreign direction. Quite apart from the fact that all the initial losses involved in pioneering new industries and prospecting speculative concerns were entirely borne by British Capital, India has derived the rich experience and the valuable object lesson furnished by the importation of the most efficient and up-to-date methods of production and organisation of the British Capitalist. Her industrial development could not have reached the stage it has now attained but for British capital and British management. But there is a considerable debit side as well and in considering this, we may distinguish, although somewhat difficult because of their close inter-relation, between the economic disadvantages and the political. In regard to the economic aspect the following seem to be some of the objections to the free entry of foreign entrepreneur capital.

1. The profits of industry are drained away to foreign countries, thus impoverishing the country or at least preventing its rapid enrichment.

2. Almost the whole of the superior staff is manned by the foreign country's nationals and although this is perhaps natural considering the fact that trust and confidence could be more easily reposed among men of their own nationals, it has from the Indian point of view the effect of shutting out all chances of Indians rising to superior position. Because of this the value of the so-called example of western superior organisation and management is largely counteracted.

3. The vested interests created by foreign capital have not infrequently used their influence to shut out legitimate Indian competition by placing obstacles in their way. Sometimes foreign capitalists establish themselves so firmly and powerfully that Indian enterprise has no free field. Instances have not been wanting to show that some banks have refused right of admission to Clearing Houses to Indian banks even of established position and have also charged exorbitant rates for discounting the bills of some of the Indian banks of proved probity and soundness. Foreign shipping interests have deliberately prevented the success of Indian concerns in the past and students of South Indian Economic History especially

could not have forgotten the unfair and cut-throat competition which the B. I. S. N. Co., adopted to crush native enterprise.

4. On the border land between the economic and the political fields lies the question of control by foreign capitalists of "Key" industries. Everyone would agree that the control of such industries as Wolfram mining, dyes and chemicals used in the making of munitions of war, shipping and ship-building industries, certain mining and metallurgical industries, oil refineries and some forms of industrial banking should not be allowed to vest with foreigners but must be in the main with Indians. The need for conserving, in some industries, the limited and exhaustible resources of the country dictates a policy of either nationalisation or at least management by the country's own nationals. The concessions enjoyed by foreign companies in oil and gold for instance and the failure to develop native enterprise in navigation rouse the greatest anxiety for the future progress of India.

To the above economic disadvantages, we may add the following that are political.

1. Every Asiatic country knows that the penetration of foreign capital means political subjection and is fully aware that the processes of capital are really processes of insidious political conquest and India feels she is no exception to the general rule. Foreign interests would usually resist any political advancement.

2. It is also widely believed that foreign capitalists wield a wholly disproportionate influence to the detriment of the country's interests. It is held that government have come to the rescue of foreign capitalists with astonishing haste not only in times of crisis but even in their attempts to thwart Indian enterprise. Discrimination of some European customers, the distribution of wagons between Indian and European collieries are perennial complaints in this country. Trustworthy evidence was given before the Indian Railway Committee that Indian collieries had to employ European managers to secure siding facilities from railways.

This being the main disadvantages of foreign capital, it remains for us to examine the methods, if any, by which external capital, if it is to enter at all, may do so with its fangs cut off. Two questions arise—

(1) Can India do without foreign capital of any form and (2) If foreign capital be required, could it be allowed to enter under certain restrictive conditions whereby its injurious defects might be partially or wholly prevented. The answer to the first depends entirely upon India's ability to supply her capital requirements from within. It is significant that the External Capital Committee called upon to report on the possible restrictions that may be imposed on the free flow of External Capital to India concluded by stating that the real solution to the problem lay in the development of India's own capital resources and the Committee was undoubtedly right. For if it be possible for India to develop all her industries at least from now with indigenous capital, the question of placing any restrictions on foreign capital will cease to have any practical importance. But for the present and indeed for many years to come there can be no question that India must rely on external capital. The development of her vast agricultural, mineral, industrial and power resources requires an amount of capital that she cannot furnish from within. That she has vast potential resources may be admitted although the extent of her hoarded wealth seems to have been exaggerated. The significance of the figures relating to net imports of gold and silver averaging Rs. 44 crores a year during the last decade cannot be lost; but the hoard is so widely scattered that it would be presumptuous to think that it can be readily mobilised for industrial purposes. The large increase in the amount of rupee loans from 145 crores in 1913-14 to 358 crores in 1923-24 and investments in Joint Stock Companies from 80 to 254 crores in the same period reveals the existence of surpluses that might be attracted to industries, if properly organised. Sir Basil Blackett stated recently that "India could not only supply the whole of her capital requirements but might also become a lender of capital for the development of other countries." But such a consummation is not, nor could be, achieved unless bold and radical measures are taken to develop her banking organisation and increase her credit facilities.

It would be going far out of the limited scope of this paper if we went into the detailed steps required to develop our capital resources. We shall, therefore, be content with a few general suggestions. The difficulties of Indian industrialists consist not

so much in the fact that Indian capital is shy and is not willing to flow into business but that it requires an impossibly high return. It is hence very dear and must be made cheap by increasing the volume available for industrial activities. This could only be effected by the development of her banking organisation. It is common knowledge that India compares unfavourably with every other country in regard to this matter. Although, as Sir B. Blackett has justly warned, it would be unfair in any comparison with other countries, not to take into calculation the number of indigenous money-lenders and their capital falling outside the strict banking organisation, still after every allowance is made, India's deficient banking organisation is the most arresting fact in her industrial life. The number of banks must be rapidly increased ; and branches of joint stock banks must be established in large numbers. Her indigenous banks must be organised to suit modern requirements. One great difficulty as was pointed out by Mr. Madon before the External Capital Committee in developing rural banking is the question of language. There is probably no other country in the world that uses a foreign language to transact its daily business and in a country where only a small percentage of the people are able to read and write in any language at all, the use of the English language in cheques and pass-books, etc., must be dispensed with and vernaculars substituted.

Progress of joint stock banks was arrested by gross mismanagement by some of their directing men. In so far as the mismanagement was due to ignorance of sound banking methods, the remedy is to be sought in a good scheme of banking education. But cases of fraud and neglect could only be rectified by suitable legislation. The weight of evidence before the External Capital Committee was very strong in favour of some control by Government. Inspection of joint stock banks by a competent staff of auditors with powers to detect and penalise fraud and provision for voluntary official audit were some of the measures suggested.

The need for increasing credit facilities to all forms of industry is equally urgent. Indian banking system like that of England is ill-equipped for the purpose of giving long period loans which agriculture as well as industry requires. For financing the

needs of smaller ryots the Imperial Bank of India should raise a permanent fund by the issue of mortgage bonds and expend it through the agency of the co-operative banking system. The starting of more land mortgage banks in all provinces to finance the needs of the bigger landholders and the raising, for this purpose, of cheap loans by the state in London or New York by guaranteeing its credit, must form part of a scheme of agricultural development. For the supply of initial capital to Industries India must follow the example of Germany and banks on the model of the great D's must be established in all the important industrial centres.

But all these will take time and hence the second question still remains and must be considered. The amount of external capital in India has not been accurately calculated. It is unfortunate that the external capital committee did not feel it incumbent to undertake the task. With the resources available to such a committee as that, it could not have been difficult to make out merely an approximately correct estimate of the total foreign holdings in India but also of their distribution among the various industries. As it is we shall have to rest content with our own estimate which cannot by any means be considered as accurate. Starting from the fairly reliable figure of £450 millions or 675 crores estimated by Howard in 1911 (India and the Gold standard) we may add to it the sterling loans of 126 crores raised since 1911 upto 1924 and also the European share the rupee loans raised in the same period which comes to about 100 crores. This would give us rupees 900 crores roughly. We shall have to make a further allowance for increased European holdings in new and old investments and must make a deduction for investments by Indians which in recent years have appreciably increased.

Now not all forms of the above mentioned investments are injurious. Following the classification adopted by the External Capital Committee, we may distinguish between three forms. (1) Investments in which the foreign external investor is merely entitled to a rate of interest and acquires right of control only when there is default. (2) Investments in which the foreign capitalist comes in the wake of his capital, enters into competition with Indian enterprise and often succeeds in implanting himself in a dominant position in the country. (3) Investments in which the external

capitalist acquires special privileges that give him exclusive rights of exploitation of some of the natural resources of India.

With regard to the first, there can be no objection to its entry. If debenture loans could be imported by the Indian controlled industries, they would be quite welcome. The debenture loan raised by the Tata Iron and Steel Co., is of good augury for the future development of Indian industries, as for the first time an Indian company was able to raise a large loan in a foreign market without giving any right of control to the foreigner. In regard to the loans raised by the Government, Municipalities and Port Trust which also belong to this class, as the committee has rightly pointed out, the rate of interest should not be the sole consideration as it is of great importance, that habits of saving and investment should be fostered within the country and Government scrip and other debenture bonds being first class security would supply Indian industry with valuable means of supplying current capital. Another point also must be noted. The cheapness of some of these loans is largely offset by the compulsion of the lending country to use the funds in the purchase of materials manufactured by herself, although prices in many cases have been found to be much above those of other countries. The demand made when the Indian Loans Bill of 1923 was in discussion in Parliament that 75 per cent. of the loan raised should be spent in Great Britain is too fresh to be forgotten. Hence as far as possible loans within the country should be restored to unless the advantages of external loan are insuperably greater.

All the discussion centering round the question of external capital has reference to its second and third forms stated above. To shut out entirely the entry of external capital of these types is out of the question. It is only possible to consider the limitations, if any, under which it may be allowed to enter. The experience of foreign countries is bound to throw some light on this question. Speaking generally it may be said that the restriction placed on the entry of foreign capital in other countries are either general in which case they are comparatively mild, or special, applying to certain particular industries in which case they are more severe. In Japan profits of foreign companies are subjected to special taxation

at progressive rates. Sweden has adopted a general provision whereby permission is necessary before a foreigner may engage in trade or manufacturing activities. Foreigners must obtain permission to form a trading company or become partners in such companies. Only Swedes may found joint stock banking companies or unlimited liability banking companies or be shareholders in banking or railway companies. Foreign subjects are further restricted from acquiring shares in ordinary Swedish companies. According to a recent Spanish Royal decree (1924) in order that firms may be qualified for receiving certain benefits, they must comply with certain conditions, viz., the board of directors must be Spanish, only one-third might be foreigners but not Presidents and Managing Directors. 75 per cent. of the capital must be owned by the Spanish and 80 per cent. of the office staff must be of Spanish nationality. Again in France no foreign insurance companies could be set up unless they obtained the approval of Government. In China attempts were made to repurchase the mining and railway concessions granted previously to foreigners, the necessary capital being raised in part by national subscriptions. The Commonwealth of Australia passed in 1921 the War Precautions Repeal Act by which "No company in which more than one-third of the shares are held by aliens, shall acquire any mine or interest in a mine, or carry on any mining or metallurgical business" Even in England by the Overseas Trade (credit and insurance) Act, no credit would be granted to any alien firm in which the majority of the partners are aliens or to a company where British subjects did not form a majority of Directors or where a majority of voting power was not in the hands of British Subjects. These examples afford us two lessons. One is that India is by no means the first to consider the practicability of restricting the free flow of External Capital and the other is that foreign firms are not granted any concession without subjecting them to certain restrictions. The Fiscal Commission and the External Capital Committee are at one in enunciating the principle that where definite concessions in the form of bounties, special privileges, etc., were granted to any firms, certain restrictions might be imposed of the nature already laid down in Sec. 5 of the Steel Industry Protection Act, 1924, namely that the

companies should be registered in India with rupee capital, must contain a reasonable proportion of Indian Directorate and must provide facilities for the technical training of Indian apprentices. But in all other cases, even where an industry received the benefit of protective duties the Fiscal Commission would not recommend any distrimative measures as in their opinion there was a fundamental distinction between protective duties and bounties, whilst the External Capital Committee could not find any practicable methods of effecting the necessary discrimination. Their general objections against imposing any restrictions may be summarised thus. (1) Restrictions placed on Joint Stock Companies would have the effect of creating a most unfair and undesirable distinction between them and private companies and if the latter too were to be brought under control an elaborate and inquisitorial system of trade licensing would be required. (2) Any attempt to reserve by statute a proportion of the capital for Indians and prevent the transfer of Indian shares to foreigners would be difficult to enforce, would discourage investment of foreign capital and would injure the interests of Indian shareholders themselves. It would leave the door open to evasion and fraud. (3) The proposal that subscription lists of companies should be kept open for a minimum period of 30 days and that preference upto 50 per cent. of the amount of shares offered be given to Indians would be undesirable on general grounds as there would be difficulties to find in each case whether the applicant was an Indian or not and as it would not be difficult for non-Indians to secure shares through the agency of Indians. (4) It would be an unwarranted interference with private rights. (5) Even penal taxation might be difficult to carry out. As will be obvious the objections stated above are by no means all of equal value. For example, interference with the so-called private rights of individuals or firms cannot be considered a serious objection as every country in the world has had no hesitation in limiting the rights of foreign capitalists. Taxing the surplus profits of foreign companies, who receive the advantages of protective duties cannot be disposed off as impracticable as the External Capital Committee has done. The Fiscal Commission went wrong in considering that protective duties and bounties were essentially different in

character and that limitations might be placed only on those receiving direct concessions. But in any case if certain restrictions be feasible in the one case, there cannot be any insuperable difficulties in doing the same with regard to the other. Every case of protection and bounty involves a detailed examination of the nature and character of the various firms that are engaged in an industry. If after such examination Government agreed to levy protective duties or grant bounties, it cannot be difficult for them to insist upon foreign firms satisfying the required conditions or to impose on them a special tax, if they refused. As already pointed out, Japan has a scheme of taxing the profits of foreign corporations and the same could be done here. During the war, taxes, more difficult from the administrative point of view, were worked out in England and other countries.

A perfect scheme which would avoid all defects will be, no doubt, difficult to frame ; but the reservation of certain percentage of shares in newly formed companies seems to be a matter worth carrying out as an initial step. The objection raised regarding the difficulty of the marketability of Indian shares is, though real, not so serious as the committee would have us to believe. For if India's capital resources develop at the rate contemplated by men like Sir B. Blackett Indian Stock Exchange Markets will certainly offer scope wide enough for effecting a free and easy transfer, as the number of Indian investing public will have enormously increased.

But whatever be the policy adopted in regard to ordinary competitive industries the case for imposing certain restrictions on foreign capital flowing into industries of national importance admits of no doubt. As a general policy, it must be clearly laid down that no concessions to foreign capitalists would ordinarily be given. There may be cases where even Indian capitalists should not be allowed the privilege of exploiting a wasting asset or of engaging in certain industries, except under definite limitations. Where, however, works of public utility of exceptional value have to be carried out urgently which Indians are not prepared or are unable to undertake, Government must consider if they could be nationalised ; and if the balance of judgment be against nationalising them, foreign capitalists might then be allowed to operate under rigorous and severe conditions regarding the period of operation, profit, and constitution and management.

FOREIGN CAPITAL IN INDIA

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The entry of foreign capital into India is viewed with considerable distrust by the educated classes in the country. The reasons for this distrust are well known. That 'drain' is an important cause of the Indian poverty is almost an article of our national faith, and the inflow and investment of foreign capital will, by increasing it, make the poverty of our people more acute. The adoption of the policy of protection means sacrifice on the part of the people and should only be incurred for the benefit of the indigenous industry. It should be ensured that the industry will, to use the words of a member of the Legislative Assembly, be Indian first, Indian second, Indian last. It is further contended that it is not necessary for our economic development to permit the unrestricted flow of foreign capital, as our own capital resources can carry us much farther than they do at present. The implication of the contention, which, however, is not generally put in so many words, is that India can do without the assistance of foreign capital, and the apprehension that our economic development will, if special restrictions are imposed on its investment, be arrested, may be dismissed as illusory on that account. The exploitation of the Indian labour and resources by the foreigners will, it is feared, create an atmosphere of economic inferiority, which will hinder the full development of the indigenous enterprise and organising capacity.

The view that our capital resources are adequate for our needs is held by eminent authorities. For a student of economics it is difficult to reconcile it with the admitted fact of national poverty, but it is put forward by men who are entitled to be heard with deference on all economic and industrial questions, and cannot, therefore, be lightly dismissed. A few quotations will show how great is the weight of opinion in favour of this view. Sir R. N. Mukerjee's name stands very high in the list of the Indian captains of industry, to whose ability and enterprise the nation owes much.

He said in his Presidential Address to the Indian Industrial Conference of 1910 "India, generally speaking, is a poor country. But there is wealth in India, and the possessors of it could, with a fractional part of their amassed wealth, not only develop many of the industries, that are dormant to-day, but make India equal to any other country in the world." A fraction of wealth in India will, according to this view, more than suffice for the complete industrialisation of the country. The Industrial Commission in Para. 281 of their Report, refer to the considerable accumulation of capital in India, to which new savings are being added every year, and are of opinion that the difficulty in raising capital for industries is not the measure of the insufficiency of capital. Sir Stanley Reid has also a wide and varied experience of the Indian conditions, and may be taken to speak with knowledge when he says. "There is no shortage of capital in India to-day; there is supply of capital in India to-day in excess of the opportunities of conservative investment. I will go so far as to say that India to-day and for a considerable period to come ought not only to be independent of the London Money Market for the introduction of capital for developing her industries, but she is in a position to buy back if reasonable facilities are given, a substantial portion of her foreign debt.' The lack of capital is attributed by the signatories of the Minority Report of the Indian Fiscal Commission "more to risks involved in establishing new industries under the free trade principles than to the actual inadequacy of capital", and are confident that under a policy of assured protection reasonably adequate capital will be available for fostering the development of industries in the country. The recently published report of the External Capital Committee refers to a vast store of dormant capital awaiting development, which can be made available by creating and extending the investment banking facilities. It is possible to give more quotations in support of this view, but it is scarcely necessary to do so, as its wide prevalence will be accepted by those who are familiar with all that is written and said on the subject. What is important to remember is that this view is held by sober, well-informed, and pre-eminently practical men, whose right to speak with authority about the matter cannot possibly be questioned.

It is easy, in view of the above fact, to understand why any

one, who cannot share this belief in the vast and undeveloped possibilities of the Indian capital, should feed diffident in expressing his doubts. But that this belief is greatly exaggerated, if not mistaken, is a proposition the soundness of which can be established by reference to some very obvious considerations which, but for the fact that they are often overlooked, it would not at all be necessary to mention here. The national interests require the widest possible diffusion of credit facilities, and the progress already achieved during the recent years, shows that much more can be done in this direction. The Government and the local bodies between themselves require enormous amounts for railways, irrigation, forests, and other schemes of public utility, and the needs of agriculture and industry will, for years to come, afford scope for the profitable investment of all the money that can be found in India. A well-organised system of banking will certainly increase the supply of loanable capital, and make it possible for us to get much more out of our limited economic resources. But all that the development of banking and investment habits can do will not be adequate for our needs. This is not merely a matter of individual opinion. Where, after all, is the capital that is required to come from? The answer, of course, is, from savings, which as every beginner in Economics knows, depend upon willingness and ability to save. The development of banking will affect the willingness, but it cannot by itself create or increase the ability. According to the most favourable estimate of our national income our savable surplus is exceedingly small, and that it will be utterly insufficient for financing our agricultural and industrial development is only another way of stating the fact of our national poverty. The belief in the adequacy of the Indian capital is generally held by those who are emphatic about the growing poverty of our people. But no one can expect a person in straits to undertake a big commercial or industrial venture, and no one should expect a country to embark unaided upon an ambitious programme of economic development when, to quote from India in 1923-24, "a large proportion of its inhabitants are beset with poverty of a kind, which knows no parallel in western lands." More than two-thirds of our people are dependent upon agriculture, and it would be undesirable, even if it were possible, to divert their savings to industry.

The savings of the urban classes are being utilised to an appreciable extent for commerce, and even with the increase of banking facilities, it will not be possible to use a large portion of their resources for industrial finance, as the essential condition of sound industrial banking, that only the long term deposits may be used for this purpose, will not be fulfilled by the terms on which they are likely to leave their money with the banks. The new depositors are always anxious to keep their resources liquid, and the ideal way of fostering the growth of this incipient tenancy is to give them the opportunities of investing in securities, which partake of the character of interest-bearing currency notes. But apart from these considerations, our savings from current income, even if their entire amount can be made available for industries, will not be enough to finance the schemes of industrial development which can and ought to be taken in hand. The conclusion is so obvious that it would appear unnecessary to have devoted so much space to it, but the fact that it is often ignored in our economic speculations is a good reason for giving prominence to it.

It will, of course, be urged that it is hoarded wealth of India which is relied upon by the ardent believers in India's ability to find money for her industrial development, and it is that vast and dormant store of wealth which has to be tapped for the purpose. The fable that India is a land of enormous wealth has had a long life, and the part that it has played in the making of history renders it desirable that it should not be easily forgotten. But it is, nevertheless, a fable, and should not count for much in a serious discussion of the subject. The estimates for the value of the precious metals, of which India has been the sink since the remote antiquity, cannot but be in the nature of 'guesswork'; for our argument, however, a recent estimate taking it for what it is worth, will do. According to this estimate India possessed in 1924 stock of gold valued at 634 crores and of silver valued at 806 crores. India's hoarded wealth may, therefore, roughly be taken at 1,450 crores. This amount, large as it is, cannot satisfy our capital requirements. In 1924 the total capital invested in India in railways, irrigation, and the joint stock companies registered in and outside India amounted to about 2,000 crores. The pace of industrial progress which has necessitated the investment of this amount has not given

satisfaction to any one in India, and must be greatly accelerated. In the near future India should, if her industrial system is to be evenly and adequately developed, need as large, if not a larger, amount, for investment in big industries; and if we also take into account the needs of cottage industries, the revival of which is a matter of primary importance, and the amount required for rural reconstruction, regarding which so much has been heard of late, the total amount of capital to be provided for our economic development cannot be calculated, but that it must be far in excess of the value of gold and silver in the hands admits of no doubt whatsoever. All this on the assumption that it is possible to draw out precious metals for the productive uses. The store of wealth is not only distributed in endless small hoards, and cannot, on that account, be easily collected into bank reserves, but a large portion of it is being used for ornaments and is not even of potential importance for the development of banking in the country. The area and population of India has always got to be borne in mind when we speak of our hoarded wealth. Its total amount is large when we think of it in aggregate, but its component units are, in most cases, very small, and exists in a form that renders it highly improbable that it will at all be available for the benefit of trade and industry in the country. Our fondness for these metals is not based only on distrust, which the spread of education and the development of a sound system of banking can dispel, but also on social and religious practices and certain deeply ingrained facts of human nature which cannot be readily changed. There is no difference of opinion regarding the necessity of weaning the people from their habit of spending such a large proportion of their surplus wealth on, to use the words of Mr. Findlay Shirras, huge and distressing absorption of the precious metals. The fact that we are exceedingly poor makes it almost a dereliction of national duty that during the last four years we should have imported gold worth 123 crores and silver worth 70 crores. A destitute nation which cannot find means for satisfying her very elementary needs, should husband her scanty resources and make them go as far as possible. What may be for another nation an excusable waste becomes in her case a culpable misdirection of national resources, which should be set right as far

as possible. But it is one thing to recognise the folly of continuing our traditional habit of having our trade balance liquidated by the import of the precious metals, and quite another to expect that it can be stopped, or the accumulated wealth mobilised for our industrial development. It is, therefore, wrong to lay much store on our large stock of gold and silver for the provision of the capital required for our economic regeneration. The conclusion that is unavoidably forced upon us, even if this reasoning is partially sound, is that India cannot depend upon herself for her capital requirements. Not only a fraction but also the entire amassed wealth of India is insufficient for developing our dormant industries, and if we are to rely on our own savings, it will be a long time before we can, if Sir Rajendra's expectation is to be realised, become equal to any other country in the world. According to the External Capital Committee the real solution of foreign capital lies in the development of India's own capital resources. Sir Basil Blackett, chairman of the committee, used almost the same words in the legislative debate which led to its appointment. This is a wrong view. Let us not have any illusions about the matter. If the inflow of foreign capital is an evil, the development of our own capital resources is not its remedy. We cannot replace foreign by indigenous capital for a very long time. The United States began her industrial career in 1812, and she has taken a century to become independent of foreign capital. Her virgin soil, immense mineral wealth, and enterprise of her people stimulated by a person for the unknown have made it possible for her to outgrow the need of outside help. India does not possess these advantages; on the other hand her disadvantages due to the social and political factors are a great obstacle in her way. It is, therefore, almost certain that the prospect of her being able to do without the assistance of foreign capital is so very remote as to be of no practical importance. India must either be satisfied with a very slow rate of industrial development, which her own slender resources can permit and shut out foreign capital altogether; or let foreign capital come in without any let or hindrance in spite of the melancholy misgivings with which so many of us contemplate its movement into our country.

The choice between these two alternatives depends upon

economic and political considerations. Let us take the economic considerations first. The most important consideration bearing on the question is, of course, the need of quickening the pace of initiative progress in the country. But with capital we also need initiative and enterprise. Any suggestion that it is good for India to develop her resources through foreign enterprise is generally resented as a slur on our own capacity to build up our industries. India, in spite of the maturity to which two or three industries have attained, is, industrially speaking, a young country. It is not merely a question of developing this or that industry. What we need is the atmosphere which will evoke our latent capacity and stimulate us to strenuous work and enterprise. The greatest obstacle in the way of our industrialisation is not our incapacity to start or run big industries, but absence of that mental outlook which makes the pioneer's work a joy, and calls into play the hidden springs of national life the functioning of which depends upon the stimuli of the right kind. Those, who have been living in great industrial centres, are likely to take it for granted that this atmosphere does exist. But a visit to provinces like the United Provinces and Bihar will bring home to the mind of even a casual observer the necessity of introducing a new leaven into our economic life. India affords an unlimited scope for enterprise. There is work awaiting in every direction, the performance of which requires energy and enthusiasm of the highest order. It is necessary to make experiments in every branch of industry, and if the foreigner can conduct some of them at his risk and expense, it will greatly help the economic development of the nation. That will, of course, mean that the profits of the industries, which he will establish, will go out of the country; and this is considered a serious economic drawback of allowing foreign capital and enterprise to take part in our industrial life. It is admitted that it is not necessary to impose any restrictions when the foreign investor is entitled to a stipulated rate of interest, and only acquires the right of control when there is default. But unless the state can undertake the management of every industry that can be started in India investment of foreign capital here will carry with it the right of direction and control, and that, apart from its political consequences, about which something is said a little further, is not an evil from the

economic standpoint. Investment of capital does not become exploitation merely because with foreign capital we get foreign enterprise. The knowledge, experience, and organising capacity of the foreign entrepreneur are as important as his capital; and if for the latter we are willing to pay him interest, there is no good reason why we should grudge him his profits for the former. In both cases we get *quid-pro-quo*, and unless the price, that we have to pay for the return that we get, is inordinately high, the payment in either case should not cause us any uneasiness. The fact of the matter is that we must pay for knowledge and experience required for starting new industries, and as Prof. Coyajee has pointed out it is less expensive to buy them from the foreigners than let the Indian entrepreneur buy these for himself through costly failures. It may be feared that the initial advantage of the foreign entrepreneur in respect of knowledge and experience will give him the power of a monopolist in every industry and enable him to kill the indigenous competition effectively when the Indian enterprise feels the stimulus of the new environments and comes to its own. But a little thought will show that such a contingency is very unlikely. The foreigner may pioneer the way in the building up of some industries but he cannot exhaust the possibilities of their development. The number of the industries that can be started in the country is so large that there is plenty of room for the indigenous and foreign enterprise to work side by side. The coming in of foreign capital cannot in any way check the development of the Indian enterprise, or deprive it of the legitimate opportunities of working up the capital resources of the country. From the purely economic standpoint, therefore, there is nothing to be said against the influx of foreign capital into the country. Influx is a somewhat strong word to use for the prospective investment of foreign capital here. It is true that with the exception of the cotton industry, all our large industries owe their inception to foreign enterprise and are under its control. With the adoption of protection as our national policy, it will become worth while for the foreign capitalists to extend their activities here. The Swedes have already established match industry in Bombay, and the Americans and the Japanese, besides, of course, the British, will take shelter behind the tariff wall, and establish other industries here. But in spite of

this fact we need not apprehend any sudden rushing in of foreign capital. We have so far been dependent upon the London Money Market for our external capital. But in England the supply of capital for investment is more limited than before, and her industrialists are feeling that it is of paramount importance to attract foreign capital to their country. Before the Royal Income-Tax Commission of 1920 several important witnesses urged the necessity of reducing the tax burden of the foreign investors in order to remove the economic deterrents to the importation of capital into England. It is very difficult to express any definite views about the deleterious effect of the heavy taxation of foreign investments on the national prosperity of England, but the fact that in England itself the matter has attracted so much attention shows that she has not much capital to spare for other countries. America is now the foremost lending country of the world, but she has got many clients who are urging their claims to her attention, and there is no reason to believe that India will receive it in an exceptional measure, specially because no efforts are being made on our part to cultivate the goodwill of the financial interests of America. The latter is, as a matter of fact, more interested in developing the Indian markets than Indian industries, and in the immediate future commercial connection between America and India is likely to be much closer than the industrial or financial. Sir Basil Blackett would have us believe that foreign capital is merely dribbling in and ought to be allowed to do so. It is difficult to attach precise significance to such a phrase, but if it is implied that foreign interest in the Indian industries is likely to be a negligible element in our economic life, the view is evidently inspired more by a desire to allay our distrust than to forecast the volume of the inflow of foreign capital into India. The amount of foreign capital, which will seek investment in India, is likely to be quite large, but not large enough to make the industrial domain a close preserve of foreign enterprise, or handicap the national organisations in doing all that they can for the development of our industries.

In the foregoing paragraph the economic aspect of the matter has been discussed to the exclusion of other considerations. But its political aspect is important and should not be lost sight of. Romain Roland has said that people are puppets of politics and finance, and of the two the latter, as the students of international

affairs know, has the tendency to overshadow the former in importance. The ways of high finance are a matter of common knowledge. Its callous disregard of all considerations of national freedom and the rights of the weaker communities has, since 1870, given us a painful chapter of modern history, which has not yet been closed. That it has been a power behind the throne in the determination of so many international issues is an established fact of the recent history. The menace of money power is a world problem. Its sinister shadow has been cast across the whole world, and Egypt, China, Persia, and the Mandated Territories, which according to the Article 22 of the Covenant of the League of Nations are "the sacred trust of civilisation," have all the same tale to tell. The only form of international co-operation, which has so far been effective, is the co-operation for dividing the spoils—the consortiums of the financial interests. The relation between the political authorities and the underwriters have become closer with the passage of time. The Governments have always been behind the forces of economic penetration, but of late they have in some cases assumed the control and sometimes even the direction of foreign investments, and in a notification recently issued by the State Department of the United States the underwriters have been definitely asked to ascertain, before the public flotations of the issue of foreign bonds in the American Market, from the Government whether there is or there is no objection to any particular issue. The scandals of international finance call for a remedy, if the world is to have peace; and we have it from Mr. H. N. Bailsford, who has done a great deal of valuable thinking on the matter, that the only adequate remedy is to exclude, if possible, all foreign capital from weak and undeveloped states unless they are strong enough to master it themselves, and make it their servant. The League of Nations has, at the instance of the Japanese delegates, been considering the question of foreign co-operation in the development of a nation's resources, and though it has not been able to formulate any definite proposals on the subject on account of the essential difficulties and the complexity of the problem, it recognises its importance and need of doing something to solve it. But we know how much to expect from the League, and what to expect when it undertakes the study of the

problem on the representation of the Japanese delegates. The problem, therefore, remains unsolved ; and in the meanwhile the financial interests are in the saddle, and pursuing relentlessly their course of opening up the undeveloped countries and in the process preventing the emancipations of some nations and imposing the yoke of foreign domination on others. Foreign capital is, on this account, suspect all over the world, and even in a country like England there is, as Sir Josiah Stamp stated before the Royal Income-Tax Commission, a great deal of intolerance of foreign interests in the British industries. In view of these considerations it is easy to understand why, to adapt the Viceroy's words used in another connection, the economic sagacity of India has not rushed to seize the hand that has been held out across the sea not by the Secretary of State but his proteges—the foreign investors in England and elsewhere. The real objection against the entry of foreign capital into India is political and not economic. The Fiscal Commission speak of the growing tendency of foreign capital to identify itself with the interest of India. This is an over-optimistic view of the situation. The identity of interests does not and cannot exist. The foreign capitalists cannot range themselves on the side of the progressive forces of the country. They want the *status quo* to be maintained, and claim to be heard on the question of our constitutional advance on the basis of their stake in this country. The creation of the national government is a disaster for their enterprises. They rely upon the foreign bureaucracy for their present position, and they think that the only way to keep it unimpaired is to put off the grant of self-government to India as long as possible. Their appointed destiny is to serve as a brake on the political progress of the country, and they know full well that in the last event the whole armed might of Britain can be called in to protect their economic interests. In other countries foreign capital has to take part in the battle of concessions, acquire the first lien on the yield of certain sources of revenue, which are administered under foreign control, demand, guarantees, which weaken the autonomy of the nations concerned, and otherwise dictate their terms in domestic affairs with occasional parade of fleets and squadrons to demonstrate to the people that there are sanctions behind their desire to participate in the development of

their country. In India foreign capital does not need these make-shift devices. The British character of administration is its insurance against all mishaps, and all that it desires is that it should not be changed. The authors of the Joint Report, advise the British capital to use its considerable wealth and opportunities to commend itself to India, and having demonstrated its value and good intentions, to content to rest like other industries on the new foundation of the government in the wishes of the people. This is an excellent advice, and if it is acted upon there will be no problem of foreign capital in India. But it has not been and will not be followed. The non-official European Community, on the other hand, besides relying upon the shelter of the Union Jack, want special representation in our elective bodies on the basis of their material stake, and thereby, to quote Brailsford's words used against Lord Cromer's plea to allow persons of foreign extraction to be represented on the Egyptian Parliament on account of their investments, degrade the conduct of a people's life to the level of a joint stock Company in which every man who has bought a share is entitled to a vote." They have no intention of settling down in India, or acquiring our nationality, and still demand to be admitted to a prominent share in our representative institutions, and have a voice in all matters affecting the future of our people. It is, to repeat, impossible for foreign capital to identify itself with the interests of India. It has already acquired a very strong position in our national life, and further investments will make it stronger. It is not going to use its power to advance our national interests, as we understand them, but will be a formidable obstacle in the way of our political development. The hostility of political India to foreign capital is intelligible. There is no eagerness to grasp the hand that has in its power to dispense great favours. The economic benefits of the free inflow of foreign capital are generally overlooked, even its need is in spite of the full knowledge of our poverty, denied because in the sub-conscious mind of our people is the well-founded suspicion that it is a barrier in the way of national progress; and a nation struggling to be free may very well be excused if it does not evince a special solicitude to invite the co-operation of foreign capital in the development of its resources, when it knows that it is putting off thereby the day of its political

emancipation.

The political results of the movement of capital into India being undesirable, it is a matter of some importance to consider whether it is possible to adopt some regulative measures to reduce its power of impeding our political advancement. The most radical measure against the foreign control of industries is, as Grunzel tells us, nationalisation. Nationalisation in India without national government cannot do much good, though it does give us greater voice in the management of our industries than we are, otherwise, likely to possess. But nationalisation of all industries is obviously impracticable, and a proposal to that effect will constitute an unsolicited, and some would say an undeserved, testimonial for the Government in India, which it is not likely to make use of for extending the sphere of its activities. There are some other measures which have been tried in other countries, against the aggression of foreign capital, but almost all of them have proved futile in the countries which have adopted them; in India their use will, in most cases, recoil on us on account of the difference of political circumstances and the inability of our own capital to take the place of foreign capital. In the Minority Report of the Fiscal Commission it has been suggested that introduction of foreign capital into India should be regulated by requiring that the companies should have a certain proportion of Indian directors, afford facilities for the training of the Indian apprentices, and be incorporated and registered in India in rupee capital. The condition that the foreign concerns should be required to take the Indian apprentices for training is desirable, and will, generally speaking, not have a deterrent effect on the inflow of capital, but it does not affect the question of control and may, therefore, be left out of account for the present. The other two conditions and another which is often suggested, namely that a certain proportion—say one half of capital—should at least be owned by the Indians, are designed to keep a substantial portion of economic power in our own hands. But the main difficulty in enforcing them is the ease with which ownership of capital changes hands on account of the transfer of shares under the corporate form of organisation. The proportion of the Indians of the Boards of Directors should bear some relation to the proportion of shares in their

hands, and as the latter cannot be fixed, it is not possible to fix the former ; and if we insist on having a share in the management of foreign concerns, without investing much money in them, the foreign capitalists will either go elsewhere, or what is more likely find some dummy directors, which they can easily do, who will carry out their behests implicitly. The condition that the joint stock companies should have rupee capital is a protective measure of very doubtful efficacy as far as the question of the control is concerned. It will not increase our voting power materially, though a larger number of Indians will be able to invest their capital in these concerns than they can do when they are incorporated in other countries. The definition of the word 'Indian' is also likely to cause difficulty. We cannot exclude the Europeans in India from starting or managing industries. A discriminatory action of that kind will not be permitted. It would be considered, to use the words of the Joint Report, prejudiced attack or privileged competition for protection against which the Government has been asked to exercise special vigilance, and take necessary steps when the trend of events shows that discrimination is likely to ensue. The Anglo-Indians are, of course, Indians for the purpose of Indianisation, and the fact that in spirit they are not children of the soil cannot debar them from claiming their legal privileges. But even if we can give a definition of the word 'Indian' which excludes all who ought not to come under it, it will still be impossible to exclude foreigners from having interests in our industries. They can hold shares through banks, solicitors, and can even, as Mr. Wilson of the Association Chambers of Commerce said in the Legislative Assembly, float a company which will hold shares on their behalf. The External Capital Committee has not been able to suggest any measures for discriminating against foreign enterprise. The experience of other countries points to the same conclusion. It has to be recognised that under the modern condition it is exceedingly difficult to check the movement of capital from one country to another, and for India with its foreign government and the presence of so many foreigners within her boundaries, the task is well nigh impossible.

The position, which we thus come to, is almost baffling. We need foreign capital and enterprise. Our economic development will

be very slow without them, and anything that accelerates it is also an element of strength in our political struggle. On the other hand foreign capital and influence is a peril to the cause of our national freedom. The irony of the situation is that even if we are willing to forego the benefits of a more rapid economic progress, we cannot shut out foreign capital. The Ditcher in his weekly diary other day twitted us for our senseless prejudice against foreign capital, when we know full well that we cannot do without it. There is a point in the remark, though it must be remembered that a prejudice does not become senseless merely because it is ineffective. We have to face the facts of the case squarely and when we realise that a strong expression of our sentiments cannot change them, accept the conclusion to which they lead with a certain amount of grace and dignity. Foreign capital has come to stay and is going to increase its hold on our industry. It is not against the economic interests of India that it should do so. For us the policy of the open door is the safest national policy. It is right that the Americans, the Japanese, and the capitalists of countries other than Great Britain should, in pursuit of their selfish interests, establish industries here, and incidentally confer economic benefits on India. It will be to a certain extent a safeguard against adventitious assistance to foreign capital. The futility of fulminating against foreign capital should be recognised. But it is not enough to adopt the attitude of stoic serenity. If we could realise the gravity of the situation, and know our national interest, we would organise a national campaign in favour of saving instead of spinning, and call forth all our reserve energy for creating a healthy system of banking in the country. That will not carry us very far, but it will give us our self-respect, for then we will, under the limitations which we cannot help, have done our little best. But the only real solution of the problem is political. For the United States, Japan, and the British Dominions the import of foreign capital has been an unmixed good. The United Kingdom need not be afraid of foreign capital, and if she needs it, she can get it without any bad forebodings. Their freedom and national strength are their protection against the inroads of foreign capital, and if India also becomes free and strong, she will have nothing to fear from its inward movement. Foreign capital is not going to be the only obstacle in the way of our national

freedom. If we are able to overcome our numerous internal difficulties, and the military power of our rulers, we can rest assured that existence of foreign capital is not going to be the last citadel of defence for the retiring forces of the alien rule.

There is one political remedy which is even now open to us and which will, without giving us complete safety, bring the import of capital under our control to a certain extent. The External Capital Committee has not attempted to give us an estimate of the amount of foreign capital in India. The Indian papers have expressed their regret for this omission, which is shared by the "Daily Express" of Madras, for, according to it, it would have helped the country to gauge the precise nature and extent of the stake which the European Community has in this country. Such an estimate will be useful; whether the object is to ascertain the stake of foreign enterprise or its grip is a matter of comparative indifference. It is hazardous to rush in where the External Capital Committee refuses to tread, but there is reason to believe that out of total corporate capital of about 2,000 crores in 1924 foreign capital was not less than 1,500 crores. Out of this amount 600 crores or 40 per cent. was represented by the external debt of the state. To this amount will be added substantial sums every year by fresh borrowing, and a part of the existing debt will also be renewed on account of the maturing of the terminable debt. It should be possible for us to determine where and how to borrow for the capital requirements of our public undertakings, if the loan policy of the Government of India is brought under the legislative control. The present position, however, is that while bulk of the capital expenditure of the State is subject to the vote of the Indian Legislatures, Central and Provincial, the loans floated in India or in England do not require their sanction. In England, as in other democratic countries, the Government cannot, leaving the temporary loans out of account, increase the public debt without the Parliamentary sanction. It is an essential principle of democratic finance that the loan policy of the Executive should be entirely under the control of the Legislature. The Indian loans floated in England require the Parliamentary sanction, but the loans floated in India are neither subject to the vote of the Parliament nor that of the Indian Legislatures. The Finance Member in his Budget

Speech, while explaining the ways and means position of the Government of India, gives information as to the amount of the loan, which the Government proposes to borrow in England and in India ; but this declaration does not bind the Government. It considers itself at liberty to make variations from the borrowing programme announced by the Finance Member, and frequently does so. It is possible to understand and even justify other restrictions on the financial powers of our Legislatures, if the assumptions on which the present constitution rests are taken for granted. But there is no good reason why the loan policy of the Government should not be brought under their control. Even the transitional character of our present constitution cannot justify this exemption of the Executive from the legislative control. The Government, it may be admitted, ought to have a certain amount of latitude in giving effect to the borrowing policy of the year, as it must, as a matter of necessity, be guided by the constantly changing temper of the Money Market in putting its loans in the market, but it is anomalous to free them altogether from the control of the Legislature in the matter of increasing the credit liabilities of the State. If all loans, whether floated in England or in India are made subject to the statutory sanction of the Indian Legislatures, it will enable us to have a determining voice in shaping the borrowing policy of Government. If this is done, the Government of India Act will require to be amended slightly, but it will not require any fundamental changes in present constitution. This is one of the changes which ought to have been included in the Memorandum on the legal and constitutional possibilities of advance within the Government of India Act, which forms Appendix 2 of the Reforms Enquiry Report. It is in this way possible to widen the financial powers of the Indian Legislatures. The matter has not received any attention so far, but its importance entitles it to be taken up seriously at once. The Indian Legislatures should, when they acquire the control of the loan policy of the Executive, exercise it in a far sighted manner, and not mortgage our future without taking into account the full liabilities of adopting such a course. We should borrow abroad on the least onerous terms, and they should be such that a free and self-respecting nation can have no hesitation in accepting. It will not

enable us to solve the problem of foreign capital, but we will thereby regulate its inflow to the extent to which it is due to the action of the public authorities in India. For the complete solution of the problem we must, as it has been made clear, wait till India can assert her right to national maturity by effective political action

FOREIGN CAPITAL IN INDIA

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Two Government Committees—the Fiscal Commission and the External Capital Committee—have recently reported on the subject of foreign capital in India. The main recommendations of the External Capital Committee agree with those of the Majority Report of the Fiscal Commission. I shall try to examine critically their main recommendations.

In order to avoid confusion of thought it is necessary to define the scope and meaning of Capital. The word 'Capital' is used at least in three different senses by economists and business men. (1) Capital (real capital) is an instrument of production such as the tool of the artisan, the plough of the farmer or the machinery used in large-scale business ; (2) The word is also used to mean 'loan capital' or money that can be used to buy real capital and other appurtenances of production ; and (3) It denotes stocks, shares or bonds which are mere scrips of paper which invest the owner with claims on real capital or its earnings or on other persons' labour. Moreover capital (*human* as distinguished from *material*) is sometimes used to mean human energies (technical skill, organising capacity.) Thus as regards external capital the problems must have reference to the importation of (1) machinery and tools, (2) loan capital or money, (3) stocks and shares of industrial concerns by investors abroad and (4) technical skill or organising capacity of foreign experts.

In the matter of machinery for large scale production India is at present mostly dependent on other countries. Further Indians recognise the necessity at present of importing the services of highly trained technical experts from abroad to start and work their newly started industries. It should be the aim, however, to provide them both, if possible, from within the country itself.

The difference of opinion centres round the question of the use of foreign loan capital and of permitting foreign nationals to hold stocks and shares in Indian industries.

There is a general feeling that loan capital is comparatively scarce in India and its importation in the present stage of industrial evolution is necessary. Nobody objects to Indian companies or the Government raising loans by means of debentures in the foreign market when such are not forthcoming in India itself. All industrially backward countries may have to do it in the initial stages of their development. I agree with the External Capital Committee in this conclusion :—"As regards the control of external capital, where the external capitalist is merely entitled to a stipulated rate of interest and only requires rights of control when there is default as in the case of State and Municipal loans and bonds and debentures of companies, we do not consider any measures of control necessary ; *but in the case of Government and quasi-Government loans, the rate of interest should not be the sole consideration in placing such loans ; other things being equal preference should be granted to the Indian investor.*" (Italics our.)

The central question on which there is difference of opinion is where a foreign investment carries with it the control of an undertaking. The External Capital as well as the Majority in the Fiscal Commission concede that "when the Government grants particular concessions (such as bounties or loans) to the industry, it should exercise such control as would lead to the advantage of the country", but they are of opinion that "where the concession is general, as in the case of a protective tariff, it is impracticable to effect any discrimination". The control to be exercised in the former case takes three forms. First, reasonable facilities are to be granted for the training of Indians and secondly, in the case of a public company, registered under the Indian Companies Act of 1913, it should have a rupee capital and thirdly, a proportion of the Directors as the Government may prescribe should consist of Indians.

The Government Committee thus recognises the need for favouring the capitalists of Indian domicile when the taxpayers' money is *directly* utilised to encourage industries in India, but

not when it is *indirectly* done by means of protective tariffs. Not that this Committee as well as the Fiscal Commission do not recognise the advantages of these conditions, but they suspect that they may have the general effect of retarding the economic progress of the country by discouraging the investment of foreign capital by people of foreign domicile. In the words of the Fiscal Commission :—" Protection entails a sacrifice on the part of the consumer. Our object should be to make that sacrifice as short as possible. The sacrifice is complete when the new industries are fully developed. Therefore it is of the first importance that the development of new industries should proceed as rapidly as possible. The more capital is employed in development of industries, the more rapid will that development be, and therefore the shorter will be the period of the burden on the consumer" (para. 289).

It is not necessary to enter into an academic discussion of the advantages and disadvantages of foreign capitalists getting control of industries in India. It is agreed that foreign capitalists should identify themselves with Indian interests. The Majority in the Fiscal Commission wrote with approval that " there is a growing tendency, owing to economic causes, for foreign capital to identify itself with the interests of India and that the training of Indians for posts of greater responsibility will proceed apace without recourse to the doubtful expedient of restrictions by Government legislation " (para. 290). The economic forces relied on in the Report are (1) the cost of imported foreign skill is increasing year by year and (2) a directorate of Indian domicile will tend to respond more speedily and readily to the requirements of industries so necessary in India in the new era of keen international competition ; (3) under present conditions the heavy income-tax in the United Kingdom provides a strong inducement to sterling companies to come out to India and adopt rupee capital. We are also told in the Report that if there are attempts on the part of foreign nationals or trusts to obtain industrial and political control in India it would have to be resisted by legislation.

Thus the Majority in the Fiscal Commission welcome a directorate of Indian domicile, increased facilities for training Indians in the higher branches of industries and the use of rupee

capital. Only they adopt a policy of *Laissez Faire*, while a certain section of Indian public opinion would demand legislative interference on these lines.

The Majority of the Fiscal Commission advanced four reasons against legislative interference. (1) The practical result of attempting to secure them by legislation would be that such business concerns as did not wish to comply with these conditions would be encouraged to carry on as private companies instead of forming themselves into joint stock companies and this would be an unfortunate result (para. 291). (2) The restrictions proposed amount to an interference with private rights which it is desirable to avoid, and (3) even if this consideration were ignored, it would not be possible to frame any legislation on these lines which could not easily be evaded by a foreigner acting through the intermediary of an Indian nominee (para. 293). (4) If legislation is enacted putting obstacle in the way of the employment of foreign capital, India's credit abroad will be injured and the British investor also will become shy ; the result will be that India will not be able to obtain the money that she requires both for public and private purposes, or will only be able to obtain it at materially higher rates (para. 293).

In reply to these objections we may mention the following :—
(1) In the words of the Minute of Dissent : “ There is very little likelihood of individual firms providing the whole capital themselves by registering as private companies ; if, however, such a contingency arises, it can only mean that the profit of the enterprise is expected to be so substantial that the promoters desire to keep the whole of it to themselves and to carry it away to their countries. If such a danger materialises and foreign firms resort to such expedients, we think that the Government of India should by means of legislation or otherwise take steps to put a stop to it ” (para. 54) (2) The argument based on private rights will not hold good, for the State had always got the right to interfere with private rights if it ensured greater benefits for the community as a whole. (3) To get Indian nominees who will assist the foreigners to circumvent the law is not always easy, but even if there is the danger it is not more than in the case of

other laws intended to safeguard private and public interests.

(4) The credit will depend ultimately on the confidence that an investor has in the capacity, honesty, etc., of the person who borrows and the profitable nature of the enterprise. The Tata Iron and Steel Company floated a few years ago in the London Market a debenture loan of two millions sterling.

Prof. Coyajee, a member of the Indian Fiscal Commission, expressed the view that Indians can in the fulness of time take over the shares of foreign enterprises if they so like and that meanwhile India stands to gain by the free investment of foreign capital (*vide* Lectures on Fiscal Policy). I suggest that this consummation will be reached sooner or later if the capital is expressed in terms of rupees and the directorate of such companies is domiciled in India. If these conditions are enforced foreign capitalists no doubt will be exposed to two more risks, viz., the risk of exchange and the difficulty of securing competent directors of Indian domicile. The second difficulty is not insuperable as the foreign agency firms in India are in touch with Indian conditions. The risks of exchange should be minimised either by restoring the pre-war practice, if possible, or better by adopting a gold standard with a gold currency. In any case it is to be hoped that the foreign capitalists will be prepared to undergo that amount of sacrifice, especially in view of the fact that under a regime of protection the Indian consumers are asked to bear the burden of a higher price for the sake of industrial progress. It is well known that in the present stage of India's industrial evolution the Indian investors have great confidence in the ability, honesty and organising capacity of foreign firms and it is, therefore, a glorious privilege and duty of theirs to lend them a helping hand.

There remains the question of reservation of shares to Indians "Such a reservation," we are told in the Majority Report of the Indian Fiscal Commission, "would not only discourage the investment of foreign capital, but would also injure the interests of Indian share-holders ; it could only be secured by practically preventing the transfer to Europeans of shares held by Indians, whilst permitting the free sale of shares held by Europeans. Two

markets for the shares would thus be created, a limited one for Indians and an unlimited one for Europeans, the former consequently being unable to realise the full market value of their holdings." (para. 291). Those who put forward this provision desire that the investment of foreign capital should be discouraged and that Indian share-holders should be prepared to put up with some sacrifice, if any, by losing the demand of possible foreign buyers in the wider interests of the country. A practical objection is that such a restriction will result in endless trouble in book-keeping and in the dealings of the money market and is very difficult to enforce, though it may not be impossible to set apart some shares for the Indian public at the time of initiation of an enterprise. Such a restriction, however, is unnecessary and all that Indian investors can reasonably claim is to insist that share capital shall always be in rupees or in the currency of their own country.

I think, therefore, that we may reasonably lay down that the three methods of control recognised in the case of undertakings receiving direct Government concessions should also be extended to those others which are started under the aegis of protection. Indeed there is really no distinction between Government granting subsidies or bounties out of money collected by them by way of taxation and allowing an industry to tax the people indirectly by means of higher prices resulting from protective duties.

I endorse fully the following views of the External Capital Committee :—" It is advantageous to India that its requirements for capital should be supplied from internal rather than from external sources, so far as internal capital is forthcoming. The real solution of the problem of external capital lies in the development of India's own capital resources." Again, " India possesses a vast store of dormant capital awaiting development and, in order to make them available for investment, banking facilities must be increased and extended. We would emphasise the importance of a co-ordinated survey of banking facilities being undertaken at the earliest opportunity, followed by a detailed examination, by an expert committee or committees, of the lines along which progress should be effected."

FOREIGN CAPITAL IN INDIA

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"It is only in the earlier stages of capitalistic production that foreign entrepreneur's capital will be viewed by a country as desirable. As soon as the spirit of enterprise becomes active in the country itself, attempts will not be wanting to replace such capital by foreign loan capital, which leaves in the possession of the debtor country the excess of its earnings above interest, thus operating to enrich the latter more rapidly and at the same time eliminating the unavoidable personal influence of the foreign capitalist on the domestic economic policy. The most insistent opposition to the foreign entrepreneur will be found in the case of those enterprises to which is entrusted the safeguarding of any special economic interest of the community in the field of national defence, of trade, industry, or commercial policy." (Grunzel).

Such is the course of the history of foreign capital and such is the trend of thought on the subject in various countries of the world; and India is no exception to this rule.

The part played by capital in the economic development of a country is too clear and well known to need special stress. Few countries like England have had the fortune of having sufficient industrial capital before embarking upon the stage of modern large scale industry and other countries consequently had to take the aid of foreign capital for the furtherance of their industrial development. The reasons for the unavailability of capital for industrial purposes in such countries appear to have been lack of capital due to their political instability or undeveloped state or unmobilised state of capital, diversion of indigenous capital to more profitable

channels, *e.g.*, mortgage banking, etc. Among the chief reasons for the movement of capital from one country to another may be mentioned (1) the difference in the earning of capital at home and abroad and (2) the desire of political alliance, or political domination or economic exploitation. Over and above this the conditions in the borrowing country which would inspire confidence and attract foreign capital are political security, credit of the borrowing nation, prospects of further gain, tariff protection, improved means of communication, light burden of taxation, etc.

The economically undeveloped countries with ambitions for material progress have borrowed foreign capital for various productive purposes like railways, irrigation, harbours, etc., and have reaped some inestimable advantages which otherwise would have been impossible or considerably delayed. In this respect a distinction must be drawn between loan capital and enterprise capital. Loan capital is undoubtedly the least costly and harmful method inasmuch as it only takes away the interest and not the profits. But enterprise capital though injurious to the economic interests of the country in more ways than one because it necessarily brings with it the exploiting capitalist may be profitable in so far as it stimulates the indigenous productive force and provides employment and opportunities for work.

To the exporting country the chief advantage of exportation of capital lies in the stimulus to its export trade, for it is usually an expressed or implied condition of such loans that the contracts for materials required for the productive works for which such loans have been raised must be placed with the creditor country. But where the investment takes the form of business enterprise in foreign countries, the chief advantages sought are commercial expansion and economic exploitation with the help of merchants, capitalists, overseas, banks, etc. In this connection, Grunzel observes:—

“The economic and the political advantages of the expansion of a country through the sending out of enterprisers into foreign economic fields must form a strong inducement to the economic policy of the state to encourage such expansion. The opportunity for direct support of the movement will occur only in the case of colonies, countries under a protectorate, etc. Where the local

government is in a position of external dependence, it may be induced to give the preference to citizens of a particular state in the way of public services, contracts, and orders. In countries with unrestricted sovereignty the road for the settlement of enterprisers can be smoothed only by commercial treaties. The freedom of domicile clause in such agreements grants to the citizens of foreign states the right to move about at will in the territory of a country, to take up residence, acquire land, and carry on business."

There has hardly been any serious opposition to foreign capital when it has taken the form of loan capital because it drains away the interest alone and confers considerable benefit upon the country. Even then, with the awakening of national consciousness and spirit of enterprise, efforts are made to replace this capital at the earliest opportunity by indigenous capital.

The case with regard to the enterprise capital which may better be termed by the significant name of exploiting capital, is, however, different. For, though it may stimulate native industry and afford new avenues of employment in the country, the disadvantages due to its pernicious economic and political effects are too great a price to pay for the benefit supposed to be derived from it. The opposition to the exploiting capital is based on various grounds, viz., that it draws away the profits as well, that it creates, in course of time, vested interests which are invariably in conflict with the national interests, that it comes to wield a dominating influence in shaping the policy of the country and is consequently enabled to wring concessions which are unfair and often detrimental to the home interests, that it is hostile to the legitimate political aspirations of the country and lastly on the ground that where the key-industries like railways, shipping, iron, and steel, munitions, etc., are in the hands of the foreign capitalist, the vital interests of the nation are not only not effectively safeguarded, but often jeopardised.

The opposition may take the form of national movement for self-development or self-defence or distrust and hatred of foreigners, or public agitation in the press and platform or the movement for nationalization of foreign capital or legal restriction on further importation of foreign capital. The effects of discouraging the importation of foreign capital to the borrowing country cannot be better summarised than in the words of Grunzel :—

“ Means of combating foreign capital are applied only in case it is used to establish the influence of the foreign enterpriser and owner of capital. But the countries economically undeveloped, and politically only partially independent, will be forced to take their choice between admitting foreign influence along with foreign capital and dispensing with foreign capital altogether. In the latter case, however, the country would be deprived of that productive factor which in the course of modern development has become most important. If the country increases in strength to the point where it possesses the necessary technical and mercantile power to carry on its own affairs, attention must first be given to freeing from foreign influence the enterprises most intimately connected with the public economic interest.”

And in this process of nationalization of foreign capital, unless private indigenous capital is readily forthcoming, the Government initiative and help will be both essential and useful. Moreover, it is not unlikely that under stress of the restrictive policy of the hostile government and indignant public opinion, the foreign capitalist may voluntarily submit to the national desire and be prepared to leave the field.

The introduction of foreign capital in India is not a recent event. In fact, it was since the middle of the nineteenth century that the use of British capital was encouraged in India by the British Government as a part of their policy of commercial expansion and economic exploitation. The unavailability of domestic capital in India due to its unorganized state, or the hoarding habit of the people, or its shyness for unfamiliar enterprises, or the political instability of the country facilitated the entry of foreign capital under the patronage of the British Government which made it possible for it to dominate the economic situation in India. No reliable information regarding the precise amount of foreign capital in India and the proportion of loan capital to enterprise capital is available and even the External Capital Committee (1924-1925), with all the facilities for investigation at their command have not, as was expected of them, attempted to estimate the amount of external capital in India as any such calculation, they thought, must be largely guess-work, and would not serve any practical purpose. Any precise figure of the amount

of external capital, if arrived at, would have given us an idea of the total wealth drained away as profits and interest, and of the amount of capital we have to replace. Any enquiry regarding a correct estimate of the external capital is beset with some difficulties, which only officials in possession of better facilities may be able to overcome. For instance, no figures are available with regard to the amount of the capital of Private unregistered firms and individuals, foreign companies, registered in their respective countries, of the rupee debt held by foreigners and of the share-capital held by foreigners in Indian concerns. However, some non-official estimates have been made from time to time and the total amount of foreign capital has been variously estimated by them as follows :—*

An article ..	470 Million £s. ..	The Economist—20th Feb., 1909
Sir George Paish ..	365 „ £s. ..	J. R. S. S. 1909 1910 1911
H F. Howard ..	450 „ £s. ..	India and the Gold Standard (1911) Chap. V.
Sir Lionel Abraham ..	400 „ £s. ..	Committee on Indian Exchange and Currency. 1919-20.
Prof. K. T. Shah ..	600 Crores Rs. ..	Trade Tariff and Transport P-184 1923.

A large part of the foreign capital in India is invested in loans, debts, and capital outlays such as railways, irrigation, telegraphs, port trusts, municipal loans, etc. The rest is invested in joint-stock companies and private enterprises. The capital invested in industrial and commercial enterprises is mainly confined to cotton, jute, and woollen mills, tea, coal and gold mining, banking, insurance, shipping and trading firms. A reference to the figures of investment will make it clear that the total amount of foreign capital in India is very large, and that a considerable portion of it is invested in various commercial and industrial concerns which exact a heavy toll from this country in the shape of profits.

* All these estimates are partly of the nature of guess-work.

With the growth of national consciousness in India since the early beginnings of the present century, Indian public opinion began to perceive the insidious effects of economic and political domination of foreign capital and expressed itself in the persistent demand for fiscal autonomy. The subject of restricting the inflow of foreign capital has always cropped up when protection is adopted in any country. The object of this policy is to exclude foreign capital from taking any undue advantage of the tariff protection to be extended to home industries. As observed before, tariff protection becomes an invitation to the foreign capitalist to exploit the advantages arising therefrom, by establishing industries in the protectionist country. Wide awake of this danger, the late Mr. Gokhale objected to the policy of protection in India unless it was effectively safeguarded against the foreign capital taking advantage of it. The subject came to the forefront very recently when the Government of India adopted the policy of protection in 1923 and it pressed for a solution when the Indian Steel Industry received protection (1924).

Now to the consideration of the hotly-debated question of the utility or otherwise of foreign capital to India. The controversy has suffered a great deal due to some confusion of thought on the subject. Some deprecate it as necessarily harmful, while others hold such capital as necessarily beneficial. It is to be regretted, that the majority report of the Indian Fiscal Commission is also subject to similar criticism. We may, at the outset, draw a distinction between loan capital borrowed by India, and profit-earning capital employed in India directly by foreigners. In case of loan-capital, the advantages derived therefrom are obvious and recognized. India, to-day, is rich in natural resources but poor in industrial accomplishment. The present industrial backwardness of the country points to the urgency of her rapid industrialisation. No country in the world can progress in this direction without plenty of capital. The capital available in the country presently is quite inadequate for the purpose. India, therefore, cannot afford to dispense with the advantages from external capital. Large sums have been borrowed by India from the London money market at fairly cheap rates of interest for her productive works like railways, irrigation, dock, etc., and India has derived considerable

benefit from such public works though they were primarily started by the Government in this country for exploitation. It would, therefore, be wrong to reject foreign capital altogether on sentimental grounds. What really matters is not foreign capital as such but the conditions under which it is imported. Countries with political independence, like Japan, have been eager to employ foreign capital for their industrial progress but they have taken care to ensure that the price that they pay is the fixed rate of interest and not unlimited profits, and foreign control. In India, as long as it is necessary to take the help of foreign capital, every one will agree that it must be raised in the form of loans. And such foreign loans will, therefore, not be an evil, as is taken for granted by some, to be opposed by restrictive measures. On the contrary it will be an unmixed good to India, with her present scarcity of indigenous capital and urgent need of rapid industrialisation. When we turn to enterprise capital, we are treading on a very debatable ground. At the outset we may concede that the jute, coal-mining, tea, leather and such other industries in India which are directly financed and managed by foreign enterprise would not have assumed their present dimensions without their help, and some perhaps would not have been pioneered at all. Regarding the advantages of enterprise capital the Fiscal Commission says that the foreign enterpriser brings with him technical knowledge, up to-date methods of organization, and newest ideas, takes the risk of pioneering new industries, stimulates indigenous enterprise, and it concludes by saying that the policy of excluding foreign capital would impede the cherished goal of rapid industrialisation. It cannot be gainsaid that India in the past must have reaped several of these advantages from her contact with the foreign enterprisers. But we believe that in the future India can well afford to dispense with their services for the reasons that several Indian capitalists have acquired industrial training and organizing capacity by no v, that the history of such industrial development as has taken place, independent of Government support, and under free-trade conditions proves that Indians have shown their capacity to organize and develop large scale industries, that they have freely imported and can do so, if necessary, in future, technical skill and expert management, that they can continue to imbibe new ideas and adopt new methods under the

existing facility of quick communication, and that they can get the necessary Indian apprentices trained abroad for their purposes. Moreover, we do not share the apprehension of the Fiscal Commission that the boycott of the foreign capitalist will impede our industrial progress, inasmuch as we can still avail ourselves of the foreign capital in the form of loans. The fruitless discussion on this point in the report is entirely due to their having failed to grasp the distinction between loan capital and exploiting capital. What we want is foreign capital and not the foreign capitalist with all his desires of exploitation of our natural resources for his benefit. We have already referred in the introductory portion of this paper to the economic and political evil effects of the foreign capitalist. They are as true as if they were written for India. The Fiscal Commission could not deny the existence of these evils but, curiously enough, did not see any definite proof of their accuracy, and what is still more curious, asserted without advancing any reasons therefore, that "there appears to us to be a growing tendency due to economic causes for foreign capital to identify itself with the interest of India" which, unfortunately, does not appear to be true when we witness its frequent opposition to the economic and political aspirations of the country. Even granting for the sake of argument that the foreign interests are becoming friendly, we have yet to account for the handsome profits which they drain away from the country and against which there is hardly any corresponding benefit. In this connection it is a surprise to see the Fiscal Commission observe :

"The economic advantages of attracting foreign capital far outweigh any objections that may be taken to the fact that the profits of the industry to a certain extent leave the country. Capitalists are enriched but this is merely a matter incidental to the main object which is the development and enrichment of the whole country. Whether the immediate profit goes to a foreigner or to an Indian capitalist, the main and ultimate end, viz., the enrichment of the country will be attained." (Fiscal Commission Report, Page 161).

There is no doubt that the country will be much more rapidly industrialised by the full help of foreign capital and enterprise but

we fail to see the immense economic advantages referred to by this Commission even if the profits, including insurance, banking, commission and freight-charges were to go out of the country. We hold that all the economic advantages to be derived from the policy of rapid industrialisation will be frittered away if the main earnings of industry leave the country. We agree with Sir Frederick Nicholson:—"I beg to record my strong opinion that in the matter of Indian industries, we are bound to consider Indian interests firstly, secondly, and thirdly I mean by firstly, that the local raw products should be utilized, by secondly, that industries should be introduced, and by thirdly, that the profits of such industries should remain in the country." (F. C. Report).

The accumulation of profits within the country would certainly augment the national wealth much more rapidly and accelerate our industrial progress on sound lines.

It must have been obvious from the preceding remarks that we are not opposed to foreign capital *per se*, that we are fully alive to the immense benefits which accrue from its use; and that by its free utilisation our industrial progress will be hastened. But we think that it is essential to draw a clear-cut distinction between loan capital and enterprise capital. In this connection we agree with Prof. K. T. Shah's remarks:—"If foreign capital in India could be confined only to its legitimate reward—its stipulated interest only—and if its entire command, direction, and employment should be left in Indian hands, there could be no great objection to its being used for the development of Indian industries. An Indian enterprise, obtaining foreign capital by means of debentures could be perfectly permissible, and even worth encouraging, if the necessary capital is not found for a promising industry in India. But when foreign capital demands as the price of its investment in India, besides a net return by way of interest, complete control and direction of the enterprise started by its aid, we would rather consent to the development of India being postponed than see it accomplished at such a cost." (K. T. Shah's *Trade, Tariffs and Transport in India*, pp. 300).

There is a generally prevalent notion that we have to make a choice of either foreign capital with capitalist and economic development, or no foreign capital, no capitalist and no development. But

there is a way out of this dilemma. For, we can have our economic development with foreign capital (without the foreign capitalist) raised in the form of loans. And it should not be difficult for the Government of India which has raised huge loans in the past to raise money in the foreign money market. We would, in our zeal to avoid the exploiting capitalist, even go to the length of advocating the raising of loans at a slightly higher rate of interest, if necessary. Only recently the Tata Iron and Steel Company raised a huge debenture-loan in the London money market. This step marks a wholesome departure in the method of financing of Indian industries and deserves encouragement. And what is more, this example serves to show that Indian industrialists of good business reputation should not find it difficult to raise loans from abroad for their purposes and it should be still less difficult if they have the necessary governmental backing.

It is likely that with the growth of self-government and of public opposition the foreign capitalist in India may voluntarily or by force of circumstances submit to our national desire and may be willing to sell off his rights.

The process of nationalization of foreign enterprise capital in India which can only be but gradual has begun in the case of the railways. A proposal has also been made by the Indian Mercantile Marine Committee to buy off some of the existing shipping lines and is now before the Government. It is highly desirable that the foreign enterprise capital which controls the industries of vital economic and political importance in which national interests have always suffered, should be nationalized and for the nationalization of such industries, Government initiative is absolutely indispensable for it is well nigh impossible for private enterprisers to supply the huge capital which these industries require. If, however, the danger, which we do not now anticipate, of denationalization of Indian capital and enterprise ever arises due to economic causes or aggressive policy of foreigners, we think that where the industry concerned is of minor importance, the remedy lies in the force of public opinion or an appeal to the patriotic sentiment of those concerned, and that where the industry concerned is of great national importance, the only effective remedy is that the Government should come to the rescue and nationalize it.

The problem that now remains is of the future policy with regard to foreign capital which may try to seek employment under the new policy of protection. If for any reason Indian capital is not forthcoming in sufficient quantity, we would repeat our suggestion that capital should be raised abroad in the form of loans. If it turns out that sufficient capital cannot be raised by this method we are face to face with the alternative of having the foreign capitalist ; but we have already expressed our opinion that in such an event we would rather forego our economic development for some time than court the foreign capitalist with all his palpable evils. But if it is possible to have him bereft of his evils, we may do so. With the increasing Indian control over the administration of the country, it will no longer be possible for the foreign capitalist to enjoy the exclusive and unfair advantages as in the past. Should we then allow the foreign capitalist to exploit the advantages under the policy of protection on equal terms with the Indian capitalist, i.e., are we prepared to lose the profits of the industry out of the country for which the poor Indian consumer has borne the burden in the shape of higher prices ? Are we also prepared to tolerate the control which their ownership and management would give them over the industries and also the probable danger of their mischievous attempts to kill internal competition ? The remedies for these evils have been suggested by the Minority Report of the Fiscal Commission in the form of restrictions to be laid down with regard to foreign enterprise in the following terms :—(1) Such companies should be incorporated and registered in India in Rupee capital ; (2) there should be a reasonable proportion of Indian Directors on the Board ; (3) reasonable facilities should be offered for the training of Indian apprentices. By imposing these conditions they thought that the Board of Directors with an Indian element and situated in India would identify itself with Indian interests, that the rupee capital would give opportunity for investment to Indians and thus would keep the profits to that extent in the country ; that it would give facilities for training to Indian apprentices and that the Government of India would be able to control these enterprises. These objects are desirable in themselves but the practicability of these restrictions has been questioned.

The Majority Report of the Fiscal Commission and also the External Capital Committee think that the restrictive measures would be impracticable for the reasons that (1) this would entail an elaborate system of trade licensing and inquisitorial Government control; (2) that they may prevent the development of private companies into joint-stock companies and that foreign capital may be encouraged to evade the legal restrictions by choosing to carry on their business as private companies, (3) that the shareholders' privileges of electing their Directors is interfered with, and that business capacity as a qualification for the Directorate becomes of secondary importance, and (4) that there is the possibility of there being Indians as "dummy directors" on the board. We recognise the force of these practical difficulties but we believe that No. (3) can be neglected, (4) can be avoided by Government vigilance and education of public opinion, (1) may be the price which we may have to pay for eradicating the evils of foreign control, and (2) can be mitigated by special Government legislation, if necessary. It is interesting to note in this connection that where definite concessions are granted to particular concerns in the form of subsidy or bounty, the Fiscal Commission and the External Capital Committee both saw the reasonableness of imposing these restrictions upon them. We, however, fail to see the distinction drawn between companies getting such direct pecuniary concessions and companies established behind the tariff wall raised under a protectionist policy. There is no material distinction between the help given by means of tariff protection which entails pecuniary loss to the consumers in the form of higher prices and a subsidy or bounty, money for which is collected from the people by taxation. In both cases, the price for the concessions is paid by the people. If, therefore, the restrictions are justifiable in one case, reason dictates that they are equally justifiable in the other. If they are practicable in one case, we do not understand why they should be impracticable in the other. Moreover ours is not the only country to distrust foreign capital. Several countries in the world have succeeded in imposing such restrictive measures, and with such precedents it should not be difficult for the Government of India also to impose such measures with success. Where, however, the concessions enable the foreign capital to exploit a wasting asset such as mineral wealth

or to get control over key industries, and industries of strategic and military importance, such as shipping, war munitions, railways, the case for the restrictive policy becomes much stronger. In such cases, preference ought to be shown to Indian capital if it is forthcoming. And in its absence, concessions may be granted to external concerns only if it is clearly in the national interest to do so, and even then it must be subject to necessary safeguards.

This dissertation about the utility or otherwise of foreign capital in India rests on our assumption that Indian capital is not available in sufficient quantity. The experience, however, of the recent Government borrowings in India for various purposes during the last decade is sufficient to dispel the belief about the unavailability of Indian capital. That capital did come forward to take advantage of the artificial protection created by the Great War "cannot possibly allow any longer the belief in the legend of the shyness of Indian capital for industrial investment." The floatation of a large number of joint-stock companies in the post-war period is a further indication of the fact that the unenterprising nature of Indian capital is on a rapid decline and is becoming a matter of the past. The External Capital Committee observe:—"There is sufficient potential capital in India to meet the larger part of India's industrial requirements but it is timid, conservative and requires to be drawn out. That internal capital is available is shown by the increase in the Government rupee loans from 145 to 358 crores and in the paid up capital of joint-stock companies from 80 to 254, between 1913-14 and 1923-24, an increase of 357 crores."

The actual record of progress is not as great as it appears from these figures for it has to be discounted to a certain extent by the inflation of currency that took place during this period. The large amount of capital that has been drawn out from the people by public, semi-public and private bodies furnishes an unmistakable proof of the fact that adequate internal capital is available in India where the investments are safe and sound ensuring a reasonable return and inspires hope that requisite capital will come forward for our various requirements if proper steps are taken to attract it.

It would be to the advantage of India to meet her requirements for capital as far as possible from internal sources. All endeavours

should, therefore, be made to draw out Indian capital before thinking of employing any foreign capital. There is a prevalent notion that India has a vast amount of hoarded capital. As a matter of fact it has not been and cannot be correctly estimated. The existing estimates are more or less conjectures. Whatever may be the amount of such wealth, it cannot be gainsaid that a large part of this is unorganized and to a certain extent idle, and awaiting development. Our requirements are unlimited. There is a vast scope for the employment of capital in railway extensions, mercantile marine, irrigation, hydro-electric works, harbour and municipal developments, and also in agriculture, commerce, and new industries. In order to make indigenous capital available for investment, the External Capital Committee suggests various methods like widespread development of banking facilities in urban as well as rural areas for the mobilisation of the scattered capital, and provision of investment facilities, co-ordination between the indigenous and the modern banking systems, comprehensive scheme of banking education and establishment of an All-India Institute of Bankers, expansion of Public Debt Offices and creation of more money markets on modern lines in important commercial cities for creating facilities for investment, extension of banking to agriculture and industry by starting agricultural, co-operative and industrial banks, and development of negotiable instruments on systematic lines. It is outside the scope of this paper to enter into the details of this problem, for which the capital committee has suggested the appointment of another commission of experts. But we believe that the development of banking facilities on these lines would mobilise the scattered small and big savings hitherto lying idle, and make the indigenous capital available in suitable form and in large quantity for the economic development of the country, thus obviating to a large extent the necessity of the employment of external capital.

FOREIGN CAPITAL IN INDIA

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The discussion of the subject of External Capital in India is rather a difficult one, especially because a certain amount of political bias is imported into the consideration of this question. But before we proceed to take up the discussion of the subject, let us first examine what is exactly implied by foreign capital in India. We all know that there is probably no term in Economics which has given rise to so much controversy as capital. But it is not our intention to dilate on this point to any great length. For our purpose, we shall regard a man's capital as that part of his wealth which he devotes to acquiring an income. If this definition is considered to be a fairly accurate one, we may say that foreign capital in India consists of that part of the property, situated in India, which is owned by foreigners and from which those foreigners expect to derive an income.

Having thus cleared the ground as to what we mean by the term, we proceed to the consideration of the amount of External Capital in India. At the very outset, it must be frankly admitted that any attempt to estimate the amount of foreign capital in this country will be mere guess-work. The Report of the External Capital Committee merely states the truth when it says:—"Government returns show the amount of outstanding loans of the central and provincial Governments and of municipalities, and the authorities of the various ports have given us details of their borrowings. It would no doubt be safe to assume that the sterling portion of these and the London-enfaced rupee debt of the Government of India are held almost entirely by external investors, but it would be quite impossible to determine the proportion of the rupee loans not held by Indians. The return of Joint Stock Companies in British India also gives figures showing the total capital of companies incorporated elsewhere than in India but working in India, but an examination of the various companies figuring in the list shows that in many

cases, especially those of banks, insurance and navigation companies, it would be unfair to reckon more than a small percentage of the working capital as actually employed in India. There is also the undoubted fact that Indians hold a large and increasing share both in external companies and in companies with rupee capital under non-Indian management. It is well known that a majority of the shares in the Indian jute mill companies, which are almost entirely under such management, are held by Indians. Besides, we do not think that any practical purpose would be served by an attempt to estimate the amount of foreign capital operating in India."

The following figures from the "Capital," dated the 19th November, 1925, will give some idea with regard to the amount of foreign capital invested in Joint Stock Companies in India.

"The amount of foreign capital invested in Indian trade and industry cannot be calculated with any exactitude. Statistics have, however, been collected, so far as possible, regarding companies which have been incorporated elsewhere than in India. The total number of such companies working at the end of 1922-23 for which returns are available was 720 and the paid-up capital thereof amounted to £ 486,787,000, besides £ 115,669,000, being the amount issued as debentures. Railways represented £ 25,571,000 of the paid-up capital and £ 42,136,000 as debentures. Of the remainder, the sterling share capital invested in the tea-industry was £ 20,242,000 and in Jute mills £ 4,461,000. The gold fields in Southern India are chiefly worked by companies formed in the United Kingdom, the paid-up sterling capital invested therein being £ 2,161,000. It should of course be borne in mind that in the case of most of the banking and insurance companies and of some of the navigation and other trading companies incorporated outside India, only a portion, sometimes a very small portion, of the capital shown above is invested in India, as these companies work also in other countries besides India, and information regarding the portion of their capital invested in India is not available."

In considering the advantages which have followed from the use of foreign capital in India, it is necessary not only to take into consideration the companies which have been successful in their enterprise, but also those which have failed, as India has been

immensely benefitted in some respects by their failure. In this connection, the remark of the External Capital Committee is very appropriate. "It is obvious that if an external company spends money without success in sinking oil wells or in prospecting for minerals, indigenous capital has been saved from fruitless expenditure." The losses sustained by pioneer foreign capitalists have cleared the ground for future Indian capitalists to work upon. Indian Capitalists are now reaping the advantage and have not to pay the full price which they would have to pay if the British Capitalists had not done the pioneer work before them. Their work has been made many times easier by their foreign confreres.

Setting aside for the present the consideration of the pioneer work done by foreign companies both successful and unsuccessful, there is no doubt for the fact that the work done by foreign capital in India has been of immense advantage to this country. Not only has it done the pioneer work in developing Indian industries, but also the credit must be given to it for developing the rich resources of this country at a time when there was not enough indigenous capital and moreover what capital there was was shy and not forthcoming. It is quite true and cannot be disputed that without the aid of foreign capital India would not have been what she is to-day; all her resources would have gone to waste, but for the advent of foreign Capital in this land; it is due to its aid that India now ranks as one among a dozen great industrial countries of the world.

A further economic effect due to the import of foreign capital in India has been that the rate of interest has gone down. We all know that interest on capital is a factor in the cost of production of an article. With the lowering of the rate interest, the cost of production has been reduced and this has encouraged the export trade of India.

It has been argued by some that if restrictions had been put upon the entry of foreign capital in India, they would have made rapid accumulation of indigenous capital possible, which could have easily replaced the foreign capital in India. This point needs further explanation. According to these people, the thwarting of free importation of capital from abroad would have led to the reduction of the total amount of available capital in India. The result would

have been a rise in the rate of interest and this would have acted as a great incentive to further saving on the part of the people of India in consequence of which there would have been no dearth of Indian capital now to replace foreign capital. But it must be borne in mind that the rate of interest is only one of the factors governing the amount saved in a country within a particular period. Further, this argument is not at all to the point, because it is now recognised on all hands that there is, at present, no dearth of potential Indian capital, but that it only requires to be coaxed before it will come out. We may again draw from the Report of the External Capital Committee: "It is recognised in practically all the replies that there is sufficient potential capital in India to meet the larger part of India's industrial requirements, but that it is timid, conservative and requires to be drawn out. That internal Capital is available is shown by the increase in Government rupee loans from 145 to 358 crores, and in the paid-up capital of Joint Stock Companies from 80 to 254 crores, between 1913-14 and 1923-24, an increase of 387 crores. The fact, however, that the net imports of gold and silver since 1913 amount to 482 crores is evidence that large resources are still being hoarded which might be invested."

That foreign capital has rendered immense service to the country in the past cannot be denied by anyone. It may be said, however, that the feeling in India has been not so much against foreign capital as against the foreign capitalist. The reason is not far to seek. Under the present political condition of India, the foreign capitalist has been able to acquire unjust privileges which have in certain cases in the past been denied to the children of the soil. Once put in this privileged position, he has regarded these privileges in the light of his Vested Interests and has attempted to thwart the legitimate aspirations of the people of this land. He has always been in favour of maintaining the *status quo* so far as political progress of the country is concerned in order that he may enjoy his privileges in future as he has done in the past. Nobody denies that the foreign capitalist has now a stake in the country and as such he should have a voice in the administration of the land. But at present he is having a rather disproportionate influence on the national policy of the country and this influence is being, very unwisely no doubt, largely directed towards opposing the legitimate

demands of the country. No wonder that the layman, unable to distinguish between foreign capital and foreign capitalist, has been against both of these. We concede that foreign capital cannot only be allowed but should be welcomed *under certain circumstances* for the development of the country. But that is no reason why Indian capital should not be encouraged to replace foreign capital in India. On the other hand we believe that it would be conceded by everybody that no efforts should be spared to encourage the growth of indigenous capital and its substitution in place of external capital. Granting all the advantages that have emanated from the investment of foreign capital, and we do not minimise those advantages, its necessity at the present moment would only arise if the indigenous capital is not available. At present it is recognised on every side that there is enough potential capital, but that potential capital is shy and requires to be drawn out. That plenty of capital is available in India has been amply proved by recent Government borrowings and floatation of Joint Stock Companies, the share capital of which in many cases have been many times oversubscribed.

Once granted that there is enough potential capital in India at the present moment for meeting all the requirements of the country, it is necessary to consider what steps should be taken to mobilise the capital resources of the land. To secure this most desirable end, the first thing that is necessary is to create confidence in the prospective investors. The investor cannot wholly be blamed for being timid, for past experience shows that many "bubble" companies have been floated during a boom, only to be taken to liquidation at the earliest possible opportunity. Such malpractices have shaken the confidence of the investor in the past and the consequence has been that he has not always come forward with his money when a new project was placed before him. The first requisite necessary to create confidence in the investor is to set up an organisation which will be able to detect frauds at an early stage in the case of Joint Stock Companies and by fear of detection to prevent them. Such an organisation can be set up only by the Government of the country. This would, no doubt, be a costly, complicated and inquisitorial affair, but it is sure to go a long way in creating confidence among investors.

Other measures necessary for achieving the object of attracting Indian capital are that banking facilities should be extended to the utmost possible limits and investment and credit facilities should be afforded as far as possible.

With regard to the banking facilities, no doubt, a great step forward has been taken with the establishment of many branches of the Imperial Bank of India ; but it must be admitted that the process has not proceeded very far. If we compare the banking position in India with that in Japan, we find certain very glaring differences. While the banking capital in India amounted in 1920 to only £ 28 million, that in Japan was £ 67 million. The deposits amounted in India to £ 118 million, in Japan to £ 404 million. The last five years have not improved matters in this respect to any great extent in India. The banking position in this country is lamentably low and every effort should be made in encouraging banking in India. There is great room for development in every kind of banking, viz., Industrial, Commercial and Agricultural. But before the position in this respect can be improved to any considerable extent, it is necessary that banking education, both theoretical and practical, should be fostered in every way. The Committee on External Capital in India is of opinion that an all India Institute of Bankers should be created to supervise courses of instruction.

With regard to the investment facilities, the Government have, no doubt, tried in recent years to reach the small investors through the Post Office cash certificates and Post Office savings banks. But much more is needed in this direction. Organised efforts are necessary to educate the people to invest their savings in securities or to deposit them in banks so that they may be available for the industrial, commercial and agricultural development of the country. We all know that a large amount of wealth is locked up in the form of ornaments and jewellery which could have been used towards developing the resources of the land. Of course the age-long customs and habit cannot be changed in a day. But to change the social custom intense propaganda work is necessary. Educate the masses and carry on propaganda work and there would not be any dearth of capital available for the development of the country.

Once granted that indigenous capital is available in India at the present moment, provided measures are adopted to attract the same,

the next question that arises is whether any restriction should be imposed on the entry of foreign capital in order that Indian capital may have greater scope for investment in India. It has already been pointed out that whenever indigenous capital is available, it should have the first preference and when it is not available then, and then only, foreign capital should be allowed to come into this country under proper restriction.

We shall follow the Report of the External Capital Committee in the matter of classification of foreign capital. For the purpose of our consideration of the subject, that classification would serve us admirably well. According to that the external capital would be divided into three categories :—

- (1) Investments in which the external investor is merely entitled to a rate of interest and acquires rights of control only when there is default. To this class belong state and municipal loans, bonds of port authorities, bonds and debentures of private companies and bank loans.
- (2) Investments in which the external investor enters into competitive business in India, competing on equal terms with Indian enterprise, as in the case of cotton and other textile mills, mercantile houses and the like.
- (3) Investments in which the external capitalist acquires special privileges or concessions of land which give him exclusive rights of exploitation of particular portions of the natural resources of India.

With regard to the first class, there cannot be very great objection to its entry into this country, provided the loans, bonds and debentures have first been issued in India in the form of rupee loans and the Indian investors have been given the first chance of investing in them. The condition satisfied, foreign capital can be allowed to come in as foreign control does not enter into the question unless there is actual default in payment of interest or capital. Such capital is, therefore, not only unobjectionable but can also be welcomed when Indian capital is not available for the development of the resources of the country. Moreover, by paying only a stipulated rate of interest to foreign investors, the surplus profits shall remain in the country and will enrich our people. Of course no one will deny that if

Indian capital is available it should be given the first preference, because in that case the amount of interest, too, will remain in India. Some people are of opinion that if the foreign capital is available at a lower rate of interest than that demanded by indigenous capital, there should be no objection in taking advantage of the foreign capital as lower cost of production due to lower rate of interest would enable Indian industries to compete more favourably with their foreign competitors. From this view we beg to differ. India has made a great sacrifice for benefitting Indian industries by adopting a system of protection and it is only natural that she should expect them to show a little more consideration in this matter to her owners of capital. For, after all, by taking advantage of the indigenous capital, interest and profits will both remain in the country for the enrichment of her people.

With regard to the second class, however, there is a good deal of controversy. Indian opinion is mainly in favour of imposing restrictions on the free entry of foreign capital in these cases. No one, we believe, disputes that indigenous capital should, whenever possible, be first taken advantage of before resort is had to external capital. This being accepted as the basis of our discussion, we do not think that there can be any great objection to insisting that companies wishing to do business in India should be registered in this country with rupee capital. Unless this is done, Indians will hardly have any opportunity of investing in companies which are formed on the basis of foreign money and which raise their capital in foreign land. This question settled, the next one that arises is whether it should be laid down by law that a majority of the shareholders and a majority of the Directors in such companies trading in India should be Indians. The Fiscal Commission and the External Capital Committee have both raised their voices against these proposals. The main grounds on which they base their disapproval of these proposals are two in number. Firstly they consider that these proposals will turn out to be impracticable when sought to be given effect to and secondly, they think that the big investor will always be able to evade the law by acting through an agent. In our opinion these considerations should not deter us from adopting these very desirable proposals. The difficulty which will arise in operation will not be insurmountable. We see that under the English law, even to-day, an

alien cannot be a proprietor, in part or wholly of a British ship. Dr. Grunzel in his *Economic Protectionism* points out that similar measures with a view to oust foreign capital have been adopted in China, Australia, Roumania, Greece and Chili. Now if these countries can overcome difficulties in this matter, there is absolutely no reason why India should not be able to surmount the few obstacles that may arise in the operation of putting restrictions on foreign capital. The question that the law may be evaded by big foreign investors through the employment of Indian agents is not worthy of detailed consideration. Adequate penalties should be laid down for evasion and proper organisation should be set up for detecting evasion of the law and by fear of detection to prevent them. Nobody argues in the case of the ordinary law of the land, that because a particular law is likely to be evaded in certain cases it ought not to be enacted. Many people in this country, who ought to pay income-tax, evade its payment by questionable means. But does anyone seriously suggest that therefore the income-tax Act should be replaced? In our opinion the insistence on a majority of Indian shareholders and Directors is not only desirable but absolutely necessary in order that the resources of our country may not be exploited by foreign capitalists. The Indian Fiscal Commission and the External Capital Committee are both of opinion that restrictions should not be put on this class of foreign capital, while they have no hesitation in recommending restrictions on foreign capital where a definite concession is being granted by the Government. India has adopted the system of discriminating protection and it can be argued with a good deal of plausibility that whenever a particular industry is given the benefit of protection, restrictions should be put on the employment of foreign capital similar to those advocated in the case where a definite concession is being granted to a company operating in India. In our opinion there is "no distinction between direct concessions and the right to establish industries within a tariff wall. In the one case the Government tax the people while in the other Government permit the consumers to be exploited by means of higher prices due to protective duties." Objection might be raised on the ground that this "would require a very elaborate system of trade licensing and the most inquisitorial Government control." But there is no help for it. When it is necessary that this should be done in

the interests of India and her people, it has got to be done, no matter what the difficulties are, provided they are not insurmountable.

A natural corollary to having a majority of Indian shareholders in a company is that Indian owners of shares of Joint Stock Companies would not be allowed to transfer their shares to non-Indians. This will, no doubt, restrict the field for the Indian investors for the transference of their shares. This may be so; but it is a price which the Indian investors will have to pay for the benefits which they will enjoy on account of their having the controlling voice in the management of Indian companies. And we have no doubt that Indian investors will gladly submit to this little inconvenience which will, after all, in actual practice, turn out to be not a great sacrifice. Here we make bold to say that if the Indian Government is really earnest about the industrial development of India, it is not only necessary but essential that she should see that the Indian character of the companies, in the real sense of the expression, is maintained.

With regard to the third class, it is our opinion, and it has been agreed to both by the Fiscal Commission and the External Capital Committee, that where Government grant anything in the nature of a monopoly or a concession, where public money is given to a company in the form of any kind of subsidy or bounty, or where a license is granted to act as a public utility company, Government should make certain stipulations and should see that special stress is laid on the Indian character of the companies thus favoured. It is not only reasonable but indispensable that legal enactments should be made insisting on a majority of Indian shareholders and Indian Directors in such companies

THE PROBLEM OF THE SECOND CHAMBER

With Special Reference to Conditions in British India

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I.

There seems to be a general consensus of opinion among writers on governmental constitutions as to the necessity of a second chamber in a popular legislature. Apart from the famous dictum of Sieyès: "Of what use will a second chamber be? If it agrees with the Representative House, it will be superfluous; if it disagrees, mischievous," there is no serious argument put forward by any constitutional writer of note to impugn the utility of the Second House. On the other hand, the makers of constitutions have exercised a considerable amount of ingenuity in devising methods of constituting the so-called "upper" house in allotting suitable functions to it; and in suggesting the various means of avoiding deadlocks between the two houses. And yet in spite of the care bestowed on the question we are to-day no nearer the solution of the problem of creating a satisfactory upper house. Lord Bryce carefully examined the constitutions and workings of the various existing Second Chambers in 1917 and 1918, as chairman of the Conference on the Reform of the Second Chamber in England. He had also occasion to study the problem of second chambers in connection with the writing of his monumental work on "Modern Democracies." He was, moreover, a confirmed believer in the necessity of second chambers, especially in democratic constitutions. And yet he had to admit that "every method of choice has proved to have its defects and nowhere have the results attained given complete satisfaction." The method recommended by Lord Bryce himself has little chance of being tried and still less of proving successful if given a trial. Because, as admitted by the noble Lord himself, "so hard would it be to create a Selecting Commission, not only capable of doing a work so delicate, but also sure to be generally recognized as having done it in an

honest and impartial spirit, that one cannot be surprised to find that the experiment is still untried" and the conclusion reached by him is "that the very conditions which make a moderating Second Chamber desirable are those which prevent its creation." These are words written by a recognised authority and by a great advocate of Second Chambers. They deserve careful consideration at the hands of all those who are interested in framing a democratic constitution for India. We are all so apt to follow the beaten track and especially to imitate institutions that are so universal as a Second Chamber that it may be well to sound a note of warning and to invite a scientific examination and discussion of the question.

II.

The case for the institution of a second chamber has been differently stated by different writers according to the varying needs of time. The nineteenth century writers favoured a bicameral legislature for reasons many of which are considered obsolete to-day. Many of them looked with suspicion and horror on the rapid democratisation of political institutions, and one way by which they thought they could check the progress of democracy and make the position and interests of the classes safe was the creation of a Second Chamber more conservative than the popularly elected house. Or, as they themselves put it: a Second Chamber was necessary in order to check "the characteristic tendency of a democratic assembly to hasty and precipitate legislation." The writers of the Victorian Era had very little faith either in the good sense of the electors or the capacity of their representatives. They firmly believed that popular elections could never lead to the selection of wise, able and experienced legislators. The common people were under the sway of unscrupulous demagogues—they were hypnotised by words and had no notion of the worth of individuals. The really fit persons did not care to incur the trouble, expense and indignities of popular elections. In the interests of wise legislation, therefore, it was necessary that a Second House be constituted to which the truly wise and experienced men could be nominated. Another argument that was often advanced by the Victorian writers, and which is still put forward by constitutional writers, is the necessity of revision even if the legislative work is very carefully done by the First House. With

the best of care some defects are likely to escape the attention of the members of the First House. There are bound to be slips even in the best executed work ; but if we have a Second House with a fresh and different outlook to revise the measure, many of the slips and other defects shall be eliminated.

III.

Such were the arguments that used to be put forward by the supporters of the Second Chamber a generation or two ago. To-day, the case is stated differently. The recognition of Democracy as the ideal form of Government has made it necessary for the advocates of bicameral legislature to shift their ground. According to them the chief function of a Second Chamber to-day is "the interposition of so much delay (and no more) in the passing of a Bill into Law as may be needed to enable the opinion of the nation to be adequately expressed upon it." The Second Chamber is not necessarily the storehouse of wisdom and knowledge or the stronghold of conservatism. It exists, not to thwart the will of the people, however capricious and faulty it may be, but on the contrary to see that the General Will prevails. No one can contest to-day the dictum, however disagreeable it may be to those who consider themselves superior, that the General Will must be supreme in the legislative as well as the other spheres of state activity. In fact Democracy means nothing else but the supremacy of the General Will. The chief question then is : Whether the "cumbersome and complicated" device of a Second Chamber is needed to secure the supremacy of the General Will in legislation.

It is pointed out by conservatives and communists alike that the Lower House—a popularly elected chamber—does not always voice the will of the People, much less does it ensure its passage into legislation. Elections are generally fought on a few isolated and momentary issues, and on other subjects the verdict of the Lower House does not necessarily represent the general Will. As a matter of fact, it gradually loses touch with the electorate, and after the first year or so of its existence it ceases to represent public opinion. It is further pointed out that some items are included in the programme not because the majority of the members of the Party in power approve of them but because it is necessary to win the support of an important though numerically small group

in the party itself. And thus some measures may be passed by the Lower House which are not desired even by the supporters of the party in power, much less by the people at large. It is also pointed out that the issues that come up before modern legislatures are so varied and complex that no one House can represent the views of the people in regard to them all. As a matter of fact, the holders of this view go further and say that even one Parliament is not enough : there should be besides the political parliament a separate Economic Council. And of course we have at the extreme end the Bolsheviks—Russian Communists who believe that Parliaments cannot represent the General Will at all, and should, therefore, be dispensed with altogether.

Leaving aside the criticisms of the Guild-Socialists and the communists, because their objective is quite different, it is necessary to examine the arguments of the advocates of the Second Chamber, especially the one given above, that a single, popularly elected house—on account of its limited *mandate, long duration, the prevailing party system—cannot be trusted to safeguard the interests of the masses and to voice the General Will.

A very large number of the existing Lower Houses are elected for three years and three years is not so long a period that members, who would naturally like to be re-elected after their terms of membership is over, can afford to go against the wishes of their constituents or to act contrary to the expressed views of their electors. Even when the duration of the English House of Commons was seven years, instead of the present five, and when few opportunities of making their influence felt were open to the electors, even then, so writes Bagehot, "a steady opposition to a formed public opinion is hardly possible in our House of Commons", because, "so incessant is the national attention to politics, and so keen the fear in the minds of each member that he may lose his valued seat." These words are even more apt to-day than they were when Bagehot wrote them. As Lords Balfour and Asquith have pointed out constituencies watch the actions of their members to-day with greater keenness than they ever did before. Moreover, the Press and the various local and national organisations have increased the powers and opportunities of the people both to express their views and to impose them on their representatives and the government. It is

not possible to-day for members of the Lower House or for the Government in any democratic country to act against the wishes of the people and consequently, there is no necessity of a Second Chamber for the purpose of securing the supremacy of the General Will.

Everywhere the people are becoming more and more political—they are beginning to take a keener interest in public affairs—State activity has become so extensive that it touches the lives of all inhabitants. Party organisation has affected the powers of popular chambers. Instead of controlling governments, as they used to do, cabinets control the assemblies to-day. This, however, does not mean that governments are becoming irresponsible. On the other hand, as pointed out above, they are more under popular control to-day than they were ever before. What has occurred is that for the control of the assembly has been substituted the control of the people. It is no doubt not so regular and not so apparent as that by the Lower House, but it is nonetheless real and effective—in fact more so than that of the Assembly or the House of Representatives. So, if the object is only to assert the General Will, to ensure its supremacy, it is not necessary to have recourse to-day to the costly and complicated machinery of the bicameral legislature.

However, it may be objected that the above remarks are applicable only to politically advanced countries. They may be true, for example, in the case of England or Switzerland but they will hardly fit in with Indian conditions. That is no doubt true; but it must also be remembered that it is only in advanced countries that the Second Chamber is expected to perform this function of securing the supremacy of the General Will. In countries like India, as we shall see presently, Second Chambers are advocated for other reasons, for example, for giving more adequate representation to certain interests and classes or for doing the work of revision, and they shall be considered in their proper place.

IV.

Second Chambers are advocated to-day for other reasons than the one discussed in the previous section. There is no constitutional writer of note who does not hold that Second Chambers are wholly indispensable in Federal Constitutions. How else, it is

argued, will it be possible to represent the component states and to safeguard the State interest? Almost all Federal Constitutions contain some sort of a Second Chamber.

The case of federal countries no doubt stands by itself, but it must be remembered that Federal Constitutions are not regarded by any one as ideal constitutions. They may be necessary under peculiar circumstances, i.e., where there are a number of states or provinces contiguously situated, and where are people who—for reasons into which we need not enter here—"desire union but not unity", as Professor Dicey has well put it. But in the course of time the particularistic tendencies of the people wear off. Living under one federal government, with important and increasing number of matters regulated from the common centre, with the development of inter-state communications and relations, it is natural that the peoples of the component states should begin to feel a new sense of unity and nationality, and when such a stage is reached the necessity for a federal constitution—and with it the need for separate and adequate representation of the states—disappears. No longer is a Second Chamber needed for separate state representation. For a considerable time the Labour Party in Australia has been trying to call a convention for the revision of the constitution to discard the federal characteristic and to evolve a unitary constitution, less costly, less cumbrous and more in keeping with the spirit of nationality and the needs of the time. But such is the force of tradition that in spite of the strength of the Labour Party in Australia and the soundness of its position, there does not appear to be much of a chance of any radical change in the Commonwealth Constitution in the near future. Granting, then, that federal constitutions are likely to remain with us for a considerable time to come, does it automatically follow that there must be a second chamber in every federal country to represent and protect state interests?

It must be admitted at the very outset that the people, particularly in small states, feel that their interests cannot be safeguarded except by the creation of a Second Chamber on the basis of equal representation for all states—big or small. And the strength of such feeling is so great that the abolition of the Second Chamber is not a practical proposition in any federal country to-day. All the same it is submitted here, that this method of representing and safe-

guarding the state interests is neither the only nor even the most satisfactory one. On the other hand, I am convinced that the object can be secured much better by other means.

Strange as it will no doubt appear—after what has just been said—it is nevertheless a fact, recognised by all leading authorities, that in no federal country—not even in the United States of America—has the Second Chamber succeeded in protecting the State interests. On the other hand, I knew of at least one instance, i. e., of the Commonwealth of Australia, where just the opposite result has been achieved. The Senate instead of protecting the component states has been an instrument for weakening the powers of the states.” And I do not regard this result as curious.

Where the Second House is elected by state-wide constituencies, as in Australia or the U. S. A., it becomes easy for a well organised federal party to capture seats in the Senate. On account of the large number and the extensive area of the constituency it is very difficult for individuals and local organisations to compete with well-organised federal parties. On the other hand, the constituencies are more numerous, much smaller and more compact in the case of elections for the Lower House, and consequently local influence and local organisations have a much better chance of success. The elected Upper House is, therefore, likely to be much more homogenous, party ridden and national than the Lower House, which is likely to be more kaleidoscopic in representation. This is, I am afraid, exactly the opposite of what is desired by the supporters of Second Chambers in Federal Constitutions

In the second place, the prestige and powers of the Second Chamber are almost everywhere—the only example to the contrary is the Senate of the United States of America, for which there are special reasons into which we need not enter here—inferior to those of the Lower House, with the result that Second Chambers have not been able to accomplish anything material. They have not been able to fulfil either their special function in federal constitutions of safeguarding the state interests or the ordinary functions of upper houses. They are either non-entities, in which case they are costly superfluities ; or troublesome, in which case they are a constant source of friction, delay, unpleasantness and expense and resort

has to be had to elaborate provisions for solving deadlocks and to make in the end the will of the Lower House prevail.

It will thus be clear that Second Chambers are useless for the purpose of protecting state interests. But, in order to induce the sticklers for state rights to agree to the abolition of Second Chambers it is necessary to show how a single, properly elected house can safeguard state interests. No doubt it appeals to the imagination of the residents of the small states in a federal country to have one whole house to represent the state interests. But such representation, apart from its being grossly disproportionate, is, as we have seen above, sadly ineffective. Both the objects of representation—"one, that of their real and effectual representation; the other, that of each being only represented in proportion to its importance relative to all other interests"—are thus frustrated. For effective representation it is necessary that representation of all the interests should be at one place "so that every opportunity is provided for proper concessions and compromises, for personal sacrifices, and for a fine correlation of ends and means." As pointed out by Prof. Sheldon Amos in "The Science of Politics" "a common discussion in one broadly representative character must surpass in value any series of discussions conducted firstly by persons having exclusively one order of interests and afterwards by those having exclusively another"—because in the latter case "every opportunity is afforded for obstinate confederacy and none for placable concession." The latest political theory has also recognised the soundness of this view. Miss. Follet has made it the basis of New Democracy in her "New State" and the framers of the Russian Constitution have made it the basis of the Soviet system, a characteristic feature of which is the combination of territorial and functional representation. Moreover, in the Federations of the Greek States there were no Second Chambers. The protection of state rights was secured, not by equal representation, but by equal voting power to each State in the Assembly.

V.

What has just been said about the representation of state interests applies *mutatis mutandis* to the representation of professional and other groups and special interests like those of *samin-dars*, in a separate, second house. Separate representation is both

invidious and ineffective and what is more, it is injurious to the development of a common, national spirit and a harmonious and comprehensive state policy. Lest I may be misunderstood, I wish to make it perfectly clear, that there are no two opinions to-day as to the necessity of adequate representation of all interests individual as well as group—on the legislature. That is a proposition which is universally admitted. The only question is: Whether the group and special interests should be separately represented in a second house or whether they should be represented along with the local and territorial interests at one place, in a single, fully representative house? And I hold, as explained above, that common representation at one place is more effective, less invidious and disproportionate than representation in separate houses and that common discussion in one house from all the different points of view and interests is far superior in value to *ad hoc* consideration. It is necessary to repeat this, because there is a strong tendency, especially in India, to placate special interest by giving them disproportionate, separate and special representation.

In India second chambers are being advocated for the purpose of giving special representation to the landed and monied interests. The U. P. Ministers, who represent the big landed interests in the province, wish to safeguard the grant of provincial autonomy in the U. P. either by giving increased representation to the landlords in the local Council or by the creation of a second chamber in the province. There are some liberal politicians, like the late Sir Surendranath Bannerji, who favour the creation of second chambers in provincial legislatures for the purpose of securing adequate representation of the moderate element. The existing Council of State, the second chamber in the General Legislature, represents the plutocratic and official interests. If the object is merely to secure proper representation of the various classes of Indian society, it is neither necessary nor desirable to have recourse to second chambers. Adequate representation of all interests can be secured in properly constituted single houses, both in the central and provincial legislatures. But that may not be the real motive. What the advocates of the second chamber in India really desire is—in the words of Sir Surendranath—"the restraining, and sometimes perhaps the compelling, influence of the upper house." This is the resuscitation of

the old argument of the mid-Victorian writers. Democracy is both dreaded and distrusted by the bureaucratic elements in Indian society, and they wish to make the workings of more popularly elected chambers safe for themselves by the institution of such second chambers as the existing Council of State in India. It is easy enough to understand such a position, that is, the desire to protect the vested interests by the creation of a conservative second chamber with sufficient powers for the purpose. But this tall talk of saving society from the rash and precipitate actions of the lower house by "a body of elder statesmen"—the words within inverted commas are from the Report of the Parliamentary Joint Select Committee on the Government of India Bill 1919—is not so easy to comprehend.

It is not my purpose here to dispute the conclusion of such an eminent authority as Lord Bryce that the Legislatures in Modern Democracies contain "too little of the stores of knowledge, wisdom and experience, which each country possesses" but it should be borne in mind that the existing upper houses have not acquitted themselves any better than the Lower Houses have done. Lord Bryce himself admits that Second Chambers have not proved successful anywhere; and that circumstances are such that it is not possible to create Second Chambers of the right type. I will deal separately later with the question of the constitution of a Second Chamber; here I only wish to point out that if the Lower Houses have been found defective the Upper Houses have not been immune from serious defects. As a matter of fact the defects of the Second Chambers have proved more injurious to the interests of the people as a whole than those of the Lower Houses. Unfortunately, the men with knowledge, wisdom and experience are not always mindful of the interests of the masses. They have often proved themselves to be selfish, grasping and oppressive and the liberties and the interests of the people have not been safe in their keeping. That is why aristocracy is no longer favoured and self-government is preferred to more good government. Lest some one may misunderstand, let me add, that self-government is also, in the long run, the best form of government. In any case, it should be clearly understood that it is not necessarily wise and perfect legislation that is desired in a democracy; its first requisite is that it should be in

consonance with the wishes of the people. And surely this can be best done by a single fully representative, popularly elected house than by a bicameral legislature, with an upper house, contemptuous of popular opinions.

It seems to me to be a great pity that writers on legislatures have devoted too much attention in the past to the question of constituting a Second House of the right type and took little to the improvement of the constitution of the Lower House. A single chamber is less costly, less complex, less troublesome, less mischievous, more effective and more in keeping with the democratic ideal. I submit that it shall be more fruitful to look for the solution of the legislative difficulty in the direction of the improvement in the constitution of a single chamber, than in spending time in the construction of an ideal second chamber. I further hold that by adjusting the franchise it is possible to create any type of single house that may be desired. If the object is to secure legislation that will protect the vested interests of the few rich, why not say it so and set to work to create a house that will be conservative enough for the purpose. It can easily be done by means of a high property franchise. History is replete with examples of conservative houses. And we have in our midst an ideal conservative house—if we are to judge from the praises showered upon it by the Viceroy and other high authorities—in the Council of State. But this requires honesty and boldness of a rare order.

There is, however, one point more that may be urged in this connection. It may be pointed out that a conservative Second House is needed during the transitional period. The popular house has to be trained in habits of cool, collected thinking and calm, dispassionate consideration of legislative measures—both by the example of an ideal upper house, and by the use of the correcting and checking authority that such an upper house must possess. As far as the checking and controlling authority is concerned that can be exercised much more effectively by the executive head through the use of his vetoing and certificating powers. And as to the upper house setting a good example to the lower house, there are not a few persons who feel that it will be necessary to revert the order.

VI.

The authors of the Report on Indian Constitutional Reforms, 1918, recommended the creation of a second chamber in the Central Legislature, the Council of State, for a special purpose. The object was that "of carrying government measures through the Council of State without reference to the Legislative Assembly, in cases where the latter body cannot be got to assent to a law which the Governor-General considers essential." And the constitution was framed accordingly. The Council of State was to consist of 50 members, exclusive of the Governor-General, who would be the President, of whom "not more than 25 will be officials, including the members of the executive council, and four would be non-officials nominated by the Governor-General." The rest 21 members were to be elected, 6 directly and 15 indirectly by the non-official members of the provincial legislatures. The Council of State as proposed by Mr. Montagu and Lord Chelmsford was thus frankly a government-controlled House devised for the purpose of securing unpopular official legislation during the transitional period. The Joint Select Committee while "accepting the view that the Governor General in Council should in all circumstances be fully empowered to secure legislation which is 'required for the discharge of his responsibilities'" thought it "unworthy that such responsibility should be concealed through the action of a Council of State specially devised in its composition to secure the necessary powers. They believe that in such a case it would add strength to the Government of India to act before the world on its own responsibility." They consequently vested the Governor-General with the power of certification—certifying "that the passage of the Bill is essential for the safety, tranquillity or interests of British India or any part thereof"—and if such a bill was rejected by either one or both houses of legislature, it was to become an Act after the signature of the Governor-General. The method proposed by the Joint Select Committee was certainly more manly and more efficacious. The Committee, however, did not stop there but proceeded to create what they called "a true Second Chamber." This is how the Committee describes it: "Inasmuch as the Council of State will be...the revising authority upon all Indian legislation, we desire to attract to it the services of the best men available in the

country. We desire that the Council of State should develop something of the experience and dignity of a body of Elder Statesmen; and we suggest, therefore, that the Governor-General in Council should make regulations as to the qualifications of candidates for election to that body which will ensure that their status and position and record of services will give to the Council a senatorial character and the qualities usually regarded as appropriate to a revising chamber."

The Council of State was thus created to act as a revising chamber. And it is with the same object that "The Commonwealth of India Bill" issued by the National Convention for presentation to the British Parliament also provides for a Second Chamber of senatorial character, with members who must "have rendered conspicuous public service" and who are above 30 years of age. As a matter of fact there appears to be a general consensus of opinion that the main object of a Second Chamber should be the revision of the work done by the Lower House. At any rate all the supporters of the second chamber agree in assigning to it this function.

VII.

The revision of measures passed by the Lower House is considered necessary for several reasons:—

Firstly, because of the lack of knowledge, wisdom and experience of the Lower House.

Secondly, because the Lower House is "liable to fall under the control of one political spirit, measures conceived in "party or class interests"; and

Thirdly, because of the pressure of business the Lower House is "obliged to act under special rules of limiting debate", which does not ensure proper consideration of the measures that come before it.

I have already dealt with the contention that the Lower House "contains too little of the store of knowledge, wisdom and the experience that the country possesses." Everything depends really on the constitution of the House: if capable men can be put on the Second Chamber, I see no reason why they cannot be included in the first or the only House. Of course, it is not an easy matter to construct legislative chambers of the right type, and even the staunchest supporters of Second Chambers have confessed their

inability to suggest any method of constituting a satisfactory Second House. But, leaving aside this question of constitution for the time being, I wish to point out that though it may not be feasible to improve the constitution of the Houses at present, it is practicable to-day to enlist the co-operation of experts and other men of outstanding ability in the country in the work of legislation. I shall point out below how this can be accomplished.

The control of one political party over the Lower House is not a mere remote possibility—it already exists almost everywhere. And there does not appear to be much chance of its decreasing, let alone disappearing, in the near future. However, upper houses: are no more free from the party incubus than the lower houses, they are equally party-ridden. As pointed by Mr. Lees-Smith in his recent book on "Second Chambers in Theory and Practice" "there is no means of securing a Second Chamber of a non-party character"—"and second chambers, however selected, exhibit this characteristic."

Parties have come to stay—and Second Chambers are unless to prevent party or class legislation from being enacted. It is no doubt possible for them—especially when they are elected for longer terms and at different times than the Lower Houses—to "act as an instrument of those which have lost public confidence", because the party in majority in the upper house may have been defeated at the Polls in the new elections of the Lower House. But surely this is not a point that will help the cause of the supporters of the Second Chamber in these democratic days.

Second Chambers, thus, will not help those who wish to prevent class or party legislation from being passed. But what shall prevent such legislation from becoming law is the growth of strong and healthy public opinion in the country. No Government, however one sided it may be, however big and sure its majority may be in the legislature, can flout public opinion to-day in any democratic country. As pointed out above, the people in advanced countries have been able to assert a direct control over governments

There thus remains only one argument in favour of the revision of Bills by the Upper House—and it is this alone that is mentioned and emphasised by the Bryce Conference of 1917-18

and by such modern students of the question as Mr. Lees-Smith:—

“The examination and revision of Bills brought from the House of Commons, a function which has become more needed since, on many occasions, during the last thirty years, the House of Commons has been obliged to act under special rules of limiting debate.”

It is no doubt true that the work of legislation has considerably increased, both in value and complexity, during the last generation or so, and the full house cannot devote as much time to the consideration of each measure as it might have done before. But this is not necessarily a disadvantage. Shorter time may mean less wastage and greater concentration on more important and relevant points in the Bill in the open House. However, there is another consideration, which is of fundamental importance, which is never taken into account by the advocates of Second Chamber, and it is this: the real helplessness of legislature to-day to affect either the principles or the important details of Bills. As pointed out by Sir Sydney Low in “Governance of England” “New Laws are made by the Ministry, with the acquiescence of the majority, and the vehement dissent of the minority—The Crown has nothing to do with the matter, the House of Lords very little. . . . ; the opposition party protests against it, energetically but powerlessly at every stage, and the non-official ministerialists are able to do no more than affect the treatment of details.” And the details, it must be remembered, can be affected—not in the open House, but in the more informal atmosphere of the Committee room. This helplessness of the legislature has been brought about mainly by two recent developments—the strict control exercised by the Ministry over members of its own party, and the increasing difficulty and complexity of modern legislation. The average member of the legislature seldom possesses the requisite knowledge.

Under such circumstances, it must be clear, Second Chambers cannot be of any use whatsoever. The efficiency in legislation can only be increased these days in two ways:—

1. By making the preparation of the Bill and the rules made under the Act more thorough by the Ministry; and
2. By making the Committee Stage more real and efficient.

We are not concerned with the first one here and it will be more than sufficient to state that, on the whole, the Executive is

performing this work with increasing efficiency everywhere. It takes the help of legal, financial and other special experts in the preparation of Bills.

If there is any chance of improving legislation to-day, it is in the Committee stage, and if the object of the advocate of Second Chambers is only to secure more efficient legislation, it can be achieved most effectively by improving the constitution of the Select Committee. When the principles and the policy embodied in a Bill have been determined, discussed and approved (in the Second Reading) there is not much difficulty in entrusting the work of examining the details of the Bill to a Committee which is constituted more on judicial lines. The chief thing that I wish to suggest in connection with the constitution of the Select Committee is that its membership should not be necessarily confined to the members of the house. After representing the various sections of the House, with due regard to their strength, numerical and otherwise, some men possessing special knowledge and experience in the subject of the Bill referred to the Committee should be nominated by the House on the Select Committee. A Committee thus constituted shall be able to perform this function of "examination and revision of Bill" to greater satisfaction than any second chamber, without any bickering, conflict, deadlock or other unpleasant occurrences so usual in bicameral legislatures. To give a more concrete idea of the kind of Select Committee that I wish to suggest, I may make a brief reference to the appointment of the Joint Select Committee on the Government of India Bill 1919. The Committee consisted of the representatives of the various Parliamentary parties and of men who had experience of Indian Affairs. They loyally accepted the principles and policy of the bill and proceeded to examine and resist the measure in an impartial and scientific spirit and the result was that the measure as it emerged out of the Select Committee was considerably improved. If on all important measures such Select Committees could be appointed the need for Second Houses—of which we hear so much—will disappear altogether, and the work of legislation will be done more efficiently, more cheaply and without unpleasantness of any kind.

VIII.

The Bryce Conference mentioned one other utility of a

Second Chamber to which reference may be made here, and it is this :--

"Full and free discussion of large and important question, such as those of foreign policy, at moments when the House of Commons may happen to be so much occupied that it cannot find sufficient time for them. Such discussion may often be all the more useful if conducted in an Assembly whose debates and divisions do not involve the fate of the Executive Government."

This function is merely a secondary function. No one is prepared to advocate the constitution of a second Chamber for this purpose alone. But if a Second Chamber already exists, it may be assigned the control of foreign policy and kindred subjects. It is, therefore, not necessary to say much about it here, because, as we have already seen, Second Chambers are unnecessary and useless. They are not needed for the performance of the primary functions assigned to them. Moreover, the democratic control of foreign affairs can be secured by other and better means by the constitution of a special, Standing Committee on Foreign Affairs, before which the foreign policy can be discussed with greater freedom and more secrecy. There is already such a committee in existence in the U. S. A. and there has been a considerable amount of talk of attempting something of the like nature in England. It may also be pointed out in passing, that even where there is a Second Chamber, as in the U. S. A., the task of controlling and regulating Foreign Affairs is entrusted not to the Upper House as such but to a special committee appointed for the purpose.

IX.

The solution of the legislative difficulty suggested here is altogether a novel one. So far efforts were directed only towards one direction, that of creating an ideal second chamber. It was taken for granted that the solution of the legislative difficulty lay only in the creation of a satisfactory upper chamber. All the ingenuity of the previous writers was spent on devising second chambers of the right type—Second Chambers, which will, in the words of Prof. Lees-Smith "modify legislation but not..... defeat it"—which "must have the power to destroy a Bill or defeat the fundamental policy at which it aims", but "must be

able to compel the Lower House to give full consideration to all suggestions which are consistent with the general principles of the Bill that is being discussed." It may be, therefore, worth while to spend some time in the examination of such schemes.

Various methods have been employed in the construction of upper houses of the right type :—

1. First of all, there is the method of nomination for life—tried for over half a century in Canada. According to the intentions of the framers of the Canadian constitution, the Senate was "to consist of men of property, of mature years, nominated for their personal eminence and judicial temper and able to reach their decisions without being the creatures of outside influence, for they would hold their seats for life." The members were to be appointed for life by the Governor-General on the advice of the Prime Minister. And Governments being "composed of men who are very human" as Sir Wilfred Laurier (a famous ex-premier of Canada, who was responsible for nominating 81 members in all, all belonging to his own party) humourously and frankly put it, nominated their own political supporters. "The result has been to produce a chamber where a body of elderly politicians—one half of the Senators were over 70 years of age in 1912)—enjoy a pension for the remainder of their lives at the public expense in return for faithful party services."

And what is the record of work of such a Second Chamber. During two long periods 1878 to 1896 and 1900 to 1912 Canada lived "under a virtually Single Chamber Government" and "during these periods the country has apparently been satisfied, and demands for the reform of the Senate have ceased." These were the periods when the party in power in the Lower House had been able to secure a majority in the Senate filling up the vacancies with their own supporters. At other periods "when a party which has been in opposition for a long time comes into power, it suddenly realises that Canada possesses a powerful Second Chamber" and there is a regular warfare between the two houses and the talk of reform begins again. It is pointed out, as does Mr. Lees-Smith that "such a Chamber can make no claims to be a means of securing impartial decisions on vexed questions. It is merely a party instrument by which the party that has been defeated at the polls still succeeds

for some years in securing an advantage over its opponents." And the result is that "for long periods the country is left with practically no Second Chamber, and for the remaining periods it has a Second Chamber which acts on the wrong principle and from the wrong motives. The experience of Canada, therefore, teaches us that life nomination is not a system for other countries to adopt."

2. Secondly, there is the method of nomination for a limited number of years. This has been tried in New Zealand for twenty-three years. In 1891, the tenure for all new members of the Legislative Council—as the Second Chamber is called in New Zealand, was reduced from life to seven years. The broad results have been the same in New Zealand as in Canada. Writes Mr. Lees-Smith:—

"When a Ministry is in office for a long time, nomination for a limited period produces a more subordinate Chamber than nomination for life, as members depend for reappointing upon the favour of the Government. When the Government is defeated it leaves behind it a Chamber made up of its pensioners and partisans. The nation, therefore, alternates between Single Chamber Government and Second Chamber Government of an indefensible type."

It is not necessary to quote other instances of nominated upper houses. We, in India, possess sufficient experience of the subservience of nominated members. In the nature of things, nominated members cannot be expected to make any display of courage or independence in thinking or voting, and this is so especially where tenure is of short duration. The method of nomination has by now become thoroughly discredited; and it is only where other methods are found to be impracticable that it is still adopted—as for instance, in the case of very backward classes or communities who do not understand the method of election.

3. The House of Lords in England is the only Upper House in the world which is constituted on the basis of ennobled birth. Blue blood is the chief qualification of membership, though political service, genius and wealth may also help a person to become a member—i.e., a Peer of the United Kingdom. This method is peculiar to England and even there it is thoroughly discredited. It is not likely to survive there long and it has no chance of being adopted anywhere else.

4. Fourthly, there is the method, of indirect election, employed in two different ways:—

(a) In federal countries, members of the Upper House are sometimes elected by the State legislatures. Such indirect election has been tried for over a century in the United States of America, and was only discarded in 1913 after it had become thoroughly unpopular. "The revulsion of feelings" must indeed have been very strong to have resulted in a change in the constitution because, as every student of politics knows, it is not at all an easy thing to carry an amendment to the American constitution. The U. S. A. constitution is one of the most rigid constitutions in the world.

The chief defect of election by the State legislatures is that Federal issues are brought into State politics, and they vitiate the political atmosphere of the States. In 1911, there was a talk of introducing this system in Canada. In the debate on this question in the Canadian House of Commons it was pointed out by Mr. E. Foster that "Provincial Parliaments were not elected to deal with national issues, and that it would be a mistake to 'bedevil' the legislative assemblies by putting this strife and contention in their midst." Sir John Macdonald, the famous ex-premier of Canada, regarded the change as "opposed to the spirit of the constitution, which confined the local assemblies to a strictly limited sphere of action."

(b) In some countries, Upper Houses are elected by Local Authorities, as the Second Chamber is elected in France, Sweden and Portugal. Provincial legislatures in India were also partly elected by local authorities before the Reforms of 1919. In France, the members of the Senate are elected in each department by an electoral college made up of delegates from the Communes, members of the Conseil d'Arrondissement, members of the Conseil General and the Deputies from the Department. This method of constituting the Senate has been tried for fifty years in France, but the results have not been encouraging. In spite of the fact that the French Senate contains "many of the leading figures in public life," "its lack of contact with the people and its elderly atmosphere have produced a lifeless assembly, which is regarded by the public with general indifference." The chief defects of this method of constituting upper houses are (i) that it leads to the election of

elderly 'conservative' men, and fails to give adequate representation to advance parties ; (ii) that there being no direct contract with the people, the members do not feel any keen sense of responsibility ; (iii) that "each local body comes to be divided on partisan lines prescribed by national issues which have little or nothing to do with its proper functions ;" and (iv) that a sense of competition is created with the Lower House, which leads to quarrels and deadlocks between the two houses. Writes Professor Lees-Smith: "Election by local authorities introduces artificial and unsuitable issues into local politics and fails to give the more advanced parties representation which corresponds to their real strength Election by local authorities contains the danger that a Second Chamber on a representative basis can claim rival authority to the Lower House, a result which is tolerable in the United States but is inconsistent with the Cabinet system of Government on which the British constitution rests."

The system of indirect elections in India was strongly condemned by the authors of the Montford Report. Members of the Municipal and Local Boards were elected "without any thought of contributing to determine the composition of the Legislative Councils. . . . There is absolutely no connection between the supposed primary voter and the man who sits as his representative on the Legislative Council In such circumstances there can be no responsibility upon, and no political education for, the people who nominally exercise the vote."

5. Fifthly, there is the method of direct election, which again is employed in two distinct ways—Second Chambers may be elected on universal suffrage or on as wide a franchise as the Lower House, as is done, for example in Australia and U. S. A.; or on a narrower franchise based on property, age and educational qualifications, as in India.

(a) The Senate in Australia consists of 36 members on the basis of equal representation for each State, big or small. Each State sends six representatives, one-half retiring every three years. The election is held by "general ticket" over the whole State as a single constituency on universal franchise. The result is, in the word of Lord Bryce, the creation of "two rival chambers."

composed of the same kind of men. Why then have two? Cannot the will of the people be expressed through one? Besides in countries which have responsible Government, as Australia, the position becomes very difficult and awkward. The rivalry and the consequent conflicts and dead-locks between the two houses make the position of the Ministry intolerable; and resort has to be had to elaborate and complicated devices, entailing long delays, such as Double Dissolution, which is very expensive and disturbing, and joint sittings, to make the will of the Lower House prevail in the long run. (It may be mentioned in parenthesis that the number of members is always larger in the Lower House, sometimes double that of the Second Chamber, as in Australia). In Australia, there is the further provision of submitting constitutional amendments to the votes of the electors by referendum.

In any case, democratic Upper Chambers are not considered suitable for performing the function of revision, because they are composed of the same kind of men as the members of the Lower House, and because, as says Prof. Lees-Smith "a democratic Second Chamber can logically claim power over finance" not to mention other ordinary subjects of legislation. Therefore, those who wish the Second Chamber to be "a true revising Chamber," to use the words of the Joint Select Committee on the Government of India Bill 1919, they have recourse to the second method of direct election.

(b) The second method of creating an elected Upper Chamber is by restricting the franchise, as is done, for example, in India. The Council of State, as the Second Chamber is called in India, is elected on a very narrow franchise. It consists of 60 members in all, of whom 34 are elected by both general and special constituencies. The qualifications for electors are either an annual income of not less than 10,000 to 20,000 rupees, or payment of land revenue of the value of 1,500 to 3,000 rupees per annum, according to the varying conditions in different provinces. The right to vote is also granted to past and present members of any legislative body, to Chairmen and Vice-Chairmen of Municipalities, District Boards and Co-operative Central Banks, to members of University Senates and to the holders of titles conferred for oriental scholarship. The Council of State, as has been mentioned above, was created specially for the purpose of revision, and the existing constitution was

devised to attract men of wisdom, experience and knowledge. The Council of State, which has just been dissolved, did not contain men of greater personal distinction than those in the Lower House. Besides it proved itself to be a hopelessly conservative and reactionary body, subservient to the wishes of the bureaucratic executive. "The Council of State has to its discredit a record of humble obedience to the executive, of reactionary decisions, and of more or less successful attempts to undo the good the Legislative Assembly has done. It is an effete body. It is young but not vigorous ; it is not old but it is senile." This is how *The Leader*, a moderate paper of Allahabad reviews the work of the Indian Second Chamber. The writer "affirms with some confidence that the almost unanimous opinion of educated men in the country would be, that the Council of State has proved itself to be a heavy drag on the progress of India." As Dr. Kailas Nath Katju points out, the Council of State was responsible for a number of reactionary actions in the last autumn session alone. "It rejected the proposition about political reform which was carried by the almost unanimous vote of the elected members of the Legislative Assembly. It even refused to consider the bill for the repeal of the repressive laws which disfigure the statute book. It rejected the Fire Arms Bill which was introduced and passed in the Legislative Assembly for the purpose of preventing indiscriminate and hasty firing on crowds and for protecting the public against the wrongful and illegal actions of the officers ordering such firing."

This reactionary record of the Indian Second Chamber does not stand alone. In other countries too where there are conservative Second Chambers, where the constitution is specially designed to attract men of senatorial character, as for example in France, the record has been similar. In France, the Senate delayed for many years the full scheme of old age pensions and the special pensions of state workers, opposed a progressive income-tax, electoral reform, a weekly holiday for workers and the law forbidding children's work in factories ; and has up to the present defeated women's franchise. No democratic country can, therefore, tolerate such Second Chambers. They are instruments that are used more for defeating the wishes of the people than for making legis-

lation more efficient.

6. Sixthly, there is the method of election by the Lower House itself. It is not yet tried anywhere as such ; but it was recommended by the Bryce Conference for adoption in England for $\frac{1}{4}$ th of the proposed Second Chamber. Mr. Lees-Smith recommends it for the constitution of the whole new Second House. He speaks of it in this wise :—" We are thus left with election by the House of Commons itself as the only means of securing a Second Chamber which has a representative character and is, at the same time, quite free from the danger of contesting the authority of the Lower House." He makes it perfectly clear that a Second Chamber so selected will be party ridden. But to give due share of membership to minority parties, he suggests that election should be by means of proportional representation. Each new House of Commons will select a fresh Second Chamber. " Its proper function is to make suggestions for amendments and its power should be confined to securing sufficient delay to ensure that these amendments shall be properly debated, and that sufficient time shall be allowed for the expression of public opinion on them."

Second Chambers selected by Lower Houses are not likely to be much different in composition or complexion from the creating house itself. To repeat the words of Lord Bryce : " Why then have two ?" In order to make it little different Lord Bryce suggested the division of the First House " into local groups, electing only a certain number of persons every year." It is claimed on behalf of this method " that it would tend to keep the two houses in friendly touch with one another, while at the same time the members of the Second Chambers, sitting for a longer period, would not be a mere reflection of the First Chamber." But this would introduce another difficulty, to avoid which Mr. Lees Smith has provided that " it is best that it should be selected by each new House of Commons for lifetime of the Parliament, as it is preferable that it should reflect the existing strength of parties rather than act as an instrument of those which have lost public confidence."

Thus, even this new method for whose discovery the credit is claimed by the Bryce Conference, is not free from serious defects. It is significant, that in " Modern Democracies" Lord Bryce

distinctly favoured another method—that of selection by “a small Selective Commission.”

7. Seventhly, then, there is the method of constituting the Second Chamber by means of a small Selecting Commission “exercising by the appointment and in the name of the people a function resembling that of the Roman Censors.” As pointed out in the beginning of this paper Lord Bryce himself recognises that “so hard would it be to create a Selecting Commission not only capable of doing a work so delicate, but also sure to be generally recognised as having done it in an honest and impartial spirit that one cannot be surprised to find that the experiment is still untried.”

The suggestion of Lord Bryce is of the type that makes confusion worse confounded. As if the construction of a Second Chamber was not difficult enough we are confronted with the additional and more difficult problem of appointing a Selecting Commission to begin with. But who is to perform this preliminary task? Surely the authority that is competent enough to appoint the Selecting Commission would also be equally competent to constitute the Second Chamber itself! Then, why appoint any Selecting Commission at all? The proposal of Lord Bryce is not only impractical and superfluous, it is, I am afraid, reactionary as well. He wishes us to revert to the method of nomination, and nomination of a more indefensible type. Nomination by the Constitutional head of Government—on the advice of the Premier—may not, as we have seen, give us a satisfactory Upper Chamber, but the method itself is not so objectionable from the democratic standpoint. Because, after all, the premier is a responsible person, possessing full confidence of the people. But the Selecting Commission, although it may possess all the qualities needed for the successful performance of its delicate and difficult task, is nevertheless responsible to none, and is opposed to all principles of democracy.

8. Eighthly, we have a few Second Chambers that are constituted by a combination of two or more of the methods described above. The framers of the Second Chamber constitutions, finding each method equally unsatisfactory, have tried their hand at combination of various kinds. I will deal here with only two of them:—(a) the combination used in the construction of the South African Senate

and (b) the other used in the constitution of the Second Chamber in the Irish Free State.

(a) The South African Senate is constituted on a combination of three principles—(i) nomination, (ii) election by local authorities, and (iii) election by members of Parliament. The Senate in South Africa consists of 40 members in all, 8 nominated by the Governor-General, and the rest elected by the four electoral colleges, one in each province, comprising members of the provincial council and members of the Legislative Assembly for the province, each electoral college returning 8 members. Four out of the eight nominated members must possess special knowledge of "the wants and wishes of coloured races in South Africa." To ensure that the senators will be men of substance and of mature age it is provided that they should be at least thirty years old and must possess immovable property, within the Union, worth not less than £500 clear or mortgages. The Senate in South Africa is a purely revisory body, with power only to delay legislation for one session. In case of difference of opinion the Governor-General is required to convene a joint session of the two houses after a lapse of one session. And as the Legislative Assembly contains thrice as many members as the Senate, the preponderating voice is secured to the Lower House.

The first Senate was constituted slightly differently and remained in office for ten years. Before its dissolution it had appointed a Committee to report on its own future constitution. The Committee recommended to limit nomination to four members and those only to secure some sort of representation to the interests of the "natives," and the rest were to be elected directly on popular vote on the system of proportional representation. In August 1920, Speaker's Conference, on the model of the Bryce Conference, was appointed to go into the question. It recommended direct election of 32 members, retention of nomination to secure representatives of native interests to the extent of four members, and the remaining 8 members—44 in all, 1-3rd number of the members of the Assembly—were to be elected by members of the Senate and Legislative Assembly sitting together. As a very large proportion of the members were to be elected directly on popular franchise, it was felt

necessary to increase some of the powers of the Senate, especially over money bills.

The recommendations of the Speaker's Conference have not been carried out as yet, and since 1920 the constitution outlined above has been in operation. It is too early to pass any judgment on the working of the South African Senate. The only conclusions that can be drawn are:—

1. That indirect election by electoral colleges is considered undemocratic and objectionable;
2. That the election by members of the provincial councils is considered undesirable;
3. That the people are against any extension of the powers of the Senate;
4. That the Senate is not able to attract capable men, owing to the unsubstantial nature of its powers and its lower prestige; and
5. That for all practical purposes, more so than in England, there is a Single Chamber Government.

(b) The Senate of the Irish Free State is constituted on a peculiar combination of direct election, on the system of proportional representation, with election by members of Parliament. The Senate consists of 60 members, elected for 10 years, one-fourth of them retiring every third year. Thus fifteen members are to be elected by proportional representation, every third year, in a single state wide constituency, in which men and women over thirty years possess the right to vote. The choice of electors is limited to persons, whose names are on a Panel consisting of (a) ex-senators, who wish to seek re-election, and (b) 45 others—30 of whom are nominated by the Chamber of Deputies and 15 by the Senate, both on the system of proportional representation. Powers of the Senate are very much restricted and consist chiefly of the right to ensure two hundred and seventy days of discussion and delay."

The constitution of the Irish Free State Senate is a novel and a very ingenious one, and it is yet too early to say, whether it will succeed or fail. "But," writes Mr. Lees-Smith, "The chief question that suggests itself is, whether with such limited functions

a much less laborious process of selecting the Senate would not have been preferable to that which the constitution lays down.

9. Lastly, stands in a category by itself, the constitution of the second "section" of the Norwegian Legislature. Norway has a peculiar type of legislature. As Professor Bredo Morgenstierne points out:—"It is a modification, not of a two-chamber system, but of a one-chamber system.' But for ordinary legislation the Legislature divides itself into two sections, which in regard to "law bills" acts as if they were two chambers.

The Norwegian Parliament, the "Storthing" consists of 150 members, elected by a system of proportional representation on universal suffrage—both men and women over 23 years possess the vote—for a period of three years. Each Storthing elects from among its members one-fourth to constitute the Second "Section," the "Lagthing." The remaining part (three-fourths) constitutes the First Section and is called the "Odelstthing."

The Storthing, the two sections sitting together deal with financial legislation and control. The constitutional amendments are also dealt with by the Storthing. The Odelstthing by itself controls the executive policy. For these subjects then, Norway has a Single Chamber Government. "It is only law bills" as Professor Aschehough points out which are dealt with separately in the Odelstthing and the Lagthing. even such matters must be laid before the whole Storthing in cases where the sections do not agree." So, as pointed out by Professor Morgenitierne, "at most it can be spoken of as a one-chamber system with some few traces of the two chamber system."

The Norwegian Legislature works very smoothly. There can be no difference between the two sections on questions of principles, because the division into two sections is made by the Storthing itself, and it is made so that the strength of parties is roughly the same in the Storthing, the Lagthing and the Odelstthing. Differences on points of practical details arise often, but they are amicably settled by a session of Storthing in plenum, and do not give rise to any sense of rivalry, jealousy or any other kind of unpleasant feelings.

It is pointed out by Professor Lees-Smith that "the members selected for the Lagthing are on the whole of the same type as

those who do most of the committee work in the House of Commons—practical men with experience in agriculture, industry or local Government—while those with more political initiative are retained in the Odelsting.” Indeed, for all practical purposes, the Lagthing is a Committee of the Parliament and not so much a Second Chamber or even a Second Section. It is a standing committee to which all law bills are referred.

This system of legislation has been tried in Norway for over a century—about 110 years now ; and it has given entire satisfaction to the nation.

X.

What then is the conclusion ?

The only system of legislation that has worked well is the Norwegian system, of which the Norwegian people are legitimately proud. In other words, that system of legislation has succeeded best which resembles most of the Single Chamber System ; and that Second Chamber has proved most successful which is more akin to a Select Committee. I regard this testimony as most favourable to the suggestion embodied in this paper, i.e., that the only way of improving legislation is to do away with the Second Chamber and to strengthen the Select Committee by the inclusion of some outsiders with special knowledge and experience. It is claimed that the suggestion made here has certain advantages over the Norwegian System. They are as follows :—

1. That a Select Committee appointed for each Bill separately will be far more efficacious than one Standing Committee like the Lagthing to which all Bills are referred for revision ; and
2. That the work of revision will be better done by the inclusion of a few outsiders on each occasion, who are selected because they possess special qualifications for the work in hand.

The conclusion, then, is that a Single Chamber System, with arrangements for outsiders with special qualifications to serve on Select Committees, is best suited to solve the legislative difficulty

DO WE WANT A SECOND CHAMBER IN INDIA?

BY

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Section 41 of the Government of India Act of 1919 contemplates the appointment of a Statutory Commission in 1929 for the purpose of inquiring into the working of the system of Government, the growth of Education, and the development of Representative Institution in British India on matters connected therewith. The commission is to report as to whether, and to what extent, it is desirable to establish the principle of Responsible Government, or to extend, modify or restrict the degree of Responsible Government then existing, including the question whether the establishment of Second Chambers of the Local Legislatures is, or is not, desirable.

The present political situation in India, if anything, is likely to draw at a very early date the pointed attention not only of the Government of India but of the British Government beyond the seas to study Indian conditions even before the Statutory year 1929. The question of disestablishing the principle of Responsible Government is so reactionary even for the Tory politician in India that it has only to be mentioned to be dismissed. The only practical question, then, in regard to an honest inquiry into the political conditions in India at the present time is to find out how best we could advance the cause of Responsible Government and the steps to be taken therefor.

It is not the purpose of this paper to discuss the broader issue as to whether India is at present, or is likely at the very near future to be, ripe for full Responsible Government, but it is taken that it partly is and progressively would evolve a fully Responsible Government. Apart from this question it is evident from Section 41 of the Government of India Act that the suggestion of a bicameral Legislature for the Provinces is to be a live issue for

the consideration and report of any commission to inquire into Indian Reforms. It may, therefore, be desirable to take stock of India's experience since the Reforms Act and examine how far the Second Chamber in the Central Legislature has served the cause of Representative or Responsible Government, and how far it is necessary for judicious and well-balanced legislation in a democratic country.

We have had the experience of a Second Chamber in India for Central Legislation and an examination of its constitution and work especially in comparison with those of the Indian Legislative Assembly during the last 5 years is likely to open the eyes of constitutional lawyers as well as practical politicians to the necessity for a thorough study of the whole question for a Second Chamber even for the Central Government, quite apart from their desirability or otherwise for the Provinces.

The authors of the Montford Report in discussing the question of a Second Chamber for the Central Government wrote:—"We feel there are advantages, both direct and incidental, in setting up a separate constitutional body in which Government will be able to command a majority. We do not propose to institute a complete bicameral system but to create a Second Chamber which shall take its part in ordinary legislative business and shall be the final legislative authority on matters which the Government regards as essential." The Joint Parliamentary Committee on the Government of India Bill, however, could not agree with the recommendation contained in the Montford Report. They said : "The Committee have no hesitation in accepting the view that the Governor-General in Council should in all circumstances be fully empowered to secure legislation which is required for the discharge of his responsibilities, but they think it is unworthy that such responsibility should be concealed through the action of a Council of State especially devised in its composition to secure the necessary powers. They believe that in such a case it would add strength to the Government of India to act before the whole world on its own responsibility. The Franchise Committee advised that the non-official members of the Council of State should be elected

by the same group of persons as elect the members of the Legislative Assembly and in the same constituencies. This is a plan which the Committee could in no circumstances accept."

The provision in the Government of India Act which provides for a Council of State of 60 members, of whom not more than 20 shall be officials, is a compromise between the views of the illustrious authors on Indian Constitutional Reforms and those of the Joint Parliamentary Committee on the Government of India Bill, who wanted to have something of a true Second Chamber. Of the 40 non-officials only 34 are elected of whom 3 represent European Commerce, 1 the Sikhs, 10 Muslims, and 20 the general electorate. The rest are nominated.

The qualification for election to the Council of State varies with different Provinces, but all agree in requiring a very high capacity to pay land revenue or a payment of income-tax on an income varying from 10,000 to 30,000 rupees a year. There are also other qualifications as the following :—A non-official Chairmanship or Vice-Chairmanship of Municipal Councils, District Boards and in some cases of Taluk Boards in certain parts of India; a fellowship of a Senate of any University in British India; the Presidentship or Vice-Presidentship of Co-operative Banks. On the other hand the qualifications required for election to the Assembly, though they vary with different Provinces, still more or less agree in considering that the payment of income-tax or in the alternative the payment of anything between Rs. 20 in Municipal rates to Rs. 60 (in Calcutta), or a payment of land revenue of Rs. 50 in Madras to Rs. 150 in the U. P., or a greater amount in Bengal, as sufficient.

It will be clear, therefore, that the electorate for the Council of State is an extremely restricted one and does not compare favourably on a democratic representative basis with the Legislative Assembly even in the limited sense that the Assembly can be said to be. The following figures will represent more clearly the comparative positions on a representative basis of the 2 Chambers of the Indian Legislature during the first elections.

Total Number of Voters for each Council.				Total number of voters polled in contested elections in each Provinces.
Province.	Legislative Assembly.	Council of State.	Council of State.	
Madras	260,486	2,290	1,694	
Bombay	129,294	2,676	2,045	
Bengal	184,266	2,226	1,132	
U. P.	167,965	2,912	774	
Punjab	53,015	1,910	838	
Bihar & Orissa	65,992	1,666	700	
C. P.	24,496	919	235	
Assam	19,503	301	176	
Burma	1,550	2,464	379	
Delhi	3,307	..	..	
Total	909,874	17,364	7,973	

India's Second Chamber has an electorate less than 1/50th of that of the Assembly, and even of these only 40 per cent. voted at the election of the first Council of State. Even supposing that every elected member was truly representative of the electorate, still the elected non-officials in the Second Chamber do not command anything like a stable majority if we exclude the representatives of European Commerce in that body. It is natural, therefore, that they should be powerless under ordinary circumstances in any difference with Government on vital questions of constitutional or other reforms, and its very constitution contributes largely to make it an extremely conservative, if not a reactionary body. Even the authors of the Montford Report were not blind to this possibility, but they were at least honest in their desire to constitute the Second Chamber as a tool in the hands of the Central Government. Writing on the advantages of a Second Chamber the authors proceed: "Its advocates urge that in creating an Upper House we should follow the system which generally prevails in countries where

popular Government has firmly established itself. We might also expect that the representation of minority interests would become more effective in an Upper House than in a single composite Chamber, because minority representatives sitting in a Chamber of their own might feel themselves freer to defend interests which they represented, than if they sat together with other elements in a Lower House. We might secure men for the Upper House who would not seek election or even accept nomination to a composite Assembly where the majority of members were of a different status than themselves and so the Second Chamber might develop a conservative character which would be a valuable check on the possibly too radical proclivities of a Lower House." But they are careful to add: "We apprehend that a Second Chamber representing mainly landed or moneyed interest might prove too effective a barrier against legislation which affected such interests."

And what do we find? The rules framed under the Government of India Act indicate only too clearly an attempt to secure the election of landed or moneyed interests, if not mainly, at least significantly; and far from the Second Chamber in India being in line with the Second Chambers instituted or in existence in progressive European countries is an institution peculiarly India's own hedged in with all sorts of restrictions which make it, if at all, misrepresent the popular will. It was Abbe Sieyes, that arch-constitution-monger of the French Revolution who said that "if a Second Chamber dissents from the First it is mischievous; if it agrees with it, it is superfluous." This may appear to be a dilemma, almost a platitude and the strict logician may probably try to rebut it by another dilemma. But the student of Political Institutions is not primarily a logician, and the practical question has to be faced with reference to actual conditions in different countries as to whether a Second Chamber is really necessary, and if so, in what form and for what specific purposes. Mr. J. A. R. Marriot in his "Second Chambers" says that "with rare unanimity the civilized world has decided in favour of a Second Chamber." He has not given us any philosophic reasons for its necessity, but relies for his argument on the experience of European nations and predominantly of the Anglo-Saxon race. But an unbiassed examination of the nature, functions and powers of the Second Chambers in

modern European countries indicates, if anything, that wherever it exists it is a body which has progressively diminishing functions and powers, and is tolerated at best as a costly ornament to a democratic nation.

In the Irish Free State the Senate (Seanad Eireann) is partly elected from a panel consisting of three times as many qualified persons as there are members to be elected, of whom two-thirds shall be nominated by Dail Eireann, voting according to principles of proportional representation, and one-third shall be nominated by the Senate voting according to principles of proportional representation and such persons who have at any time been members of the Senate as signify by notice in writing their desire to be included in the panel. Every Bill initiated in and passed by the Lower House shall be sent to the Senate and may, unless the Bill is a Money Bill, be amended in the Senate. But a Bill passed by the Lower House and considered by the Senate shall, not later than 270 days after it shall have been first sent to the Senate, or such longer period as may be agreed upon by the two Houses, be deemed to have been passed by both Houses in the form in which it was last passed by the Dail Eircann. Every Money Bill shall be sent to the Senate for its *recommendations*, and at a period not longer than 21 days after it shall have been sent to the Senate it shall be returned to the Lower House which may pass it, accepting or rejecting all or any of the recommendations of the Senate.

The Senate of Northern Ireland consists of the Lord Mayors of Belfast and Londonderry and 24 members elected by the House of Commons. In case of disagreement between the Houses a delay of one session is provided for, after which there is a joint session of both Houses.

In the Czecho-slovak Republic the Senate which consists of 150 members is elected by universal suffrage and is bound to come to a decision on a Bill passed by the Chamber of Deputies within a period of six weeks, or in the case of the Budget and Defence Bills within one month. If either Chamber could not come to a decision within the period fixed by law, it shall be deemed to have given its assent to the decision of the First Chamber. A Bill passed by the Chamber shall become Law in spite of an adverse

decision of the Senate, if the Chamber by an absolute majority of the whole number of its members adheres to its first decision. But should the Senate reject by a majority of three-fourths of their number, the Bill shall become Law if the Chamber reaffirms its decision by three-fifths of its total number. A Bill initiated by the Senate and rejected by the Chamber, is reaffirmed by the Senate by an absolute majority and is rejected a second time by an absolute majority of the Chamber, shall not become Law.

In the Polish Republic the Senate is elected on the principle of universal suffrage. The law provides that every Bill passed by the Diet (Lower House) shall be submitted to the Senate and if the Senate raises no objection within 30 days the President shall order its promulgation. If the amendments proposed by the Senate are passed by a simple majority or rejected by a majority of eleven-twentieths the President shall promulgate the law in the form in which it is passed by the Diet after the second consideration thereof.

The experience of Norway is more interesting. Article 73 of the constitution of the Kingdom of Norway provides that the Senate shall be elected from the elected representatives after a general election, and shall consist of one-fourth of the total number of such representatives, the other three-fourths forming the Lower House called the Odelsting. Every law shall first be proposed in the Odelsting and if the proposal is there accepted it shall be sent to the Lagthing (Senate) which shall either approve or reject it, and in the latter case shall return it with its observations appended. When a Bill from the Lower House has twice been laid before the Senate and has been a second time rejected by the latter, the two House (Storting) shall meet together and dispose of the Bill by a majority of two-thirds.

The experiences of Federal Governments in regard to the necessity and desirability of a Second Chamber are not really of very much use to the student of the present-day Indian constitution and its immediate future. The Indian Government is not a Federal Government. The authors of Montford Report, writing on this question, have something very interesting to indicate as to what in their view was to be India's constitutional future. "Granted the announ-

cement of August 20, 1917," they said, "we cannot at the present time envisage its complete fulfilment in any form other than that of a congeries of self-governing Indian Provinces associated for certain purposes under a Responsible Government of India, with possibly what are now the Native States of India finally embodied in the same whole. . . . But we are bound to point out that whatever may be the case with the Native States of the future, into the relation of Provincial and Central Governments the truly federal element does not and cannot enter. There is no element of a pact. The Government of the country is at present one. Our business is one of devolution. The Government of India must give and the Provinces must receive. We must sedulously beware the ready application of federal arguments or federal examples to a task which is the very reverse of that which confronted Alexander Hamilton or Sir John Macdonald."

But even the experience of Second Chamber in Federal Constitutions does not give us a valid or conclusive reason for the retention of a Second Chamber. In the Dominion of Canada a Senator is nominated in practice, on the advice of the Prime Minister, for life, and the Second Chamber has been more or less a preserve for party supporters. It has been not unfairly remarked that the Dominion Senate is a sinecure for elderly persons to enjoy a pension for the rest of their lives at the public expense. The tragedy of the Canadian experience in the Second Chamber has been that being more or less subject to the party system it has interfered unfairly with the party to which it is opposed, while it ceases to function when its own party is in office, with the result that it helps to increase, instead of to diminish, the misrepresentation of the public will. The experience of Switzerland is futile for our purpose, for the Second Chamber in Switzerland (Council of States) though it theoretically has equal powers with the National Council, still along with it is only of subordinate interest, for, federal laws have to be submitted for acceptance or rejection if a demand is made by 30,000 active citizens or by 8 Cantons. In regard to a revision of the Federal Constitution when either division of the Federal Assembly passes a resolution for the total revision of the constitution and the other division does not agree, or when 50,000 Swiss voters.

demand a total revision, the question whether the constitution ought to be revised is in either case submitted to the people who say yes or no. If in either case a majority of the Swiss citizens who vote pronounce in the affirmative there shall be a new election of both Councils for the purpose of undertaking such a revision. There is also the peculiar device of the "popular initiative" which consists in a demand by 50,000 Swiss voters for the addition of a new Article to the constitution or for the repeal or modification of Articles of the constitution already in force. If the Federal Assembly does not approve of the demand, the question of revision is submitted to the people, and if a majority of Swiss citizens pronounce in the affirmative the Federal Assembly will proceed to act in conformity with the decision of the people. It will be clear from the above position that the Legislative machinery in the Councils has powers which can always be called in question by a definite number of citizens at any time, and one wonders whether a Second Chamber was at all necessary in Switzerland except to secure the representation of the different Cantons as Cantons.

In the German constitution the Second Chamber represents the German States and it can enter any objection against a law passed by the Reichstag within two weeks after the final vote in that House. Should the Reichstag and the Upper House not agree, the President of the Republic may within three months order and appeal to the people upon the subject in dispute. Should the President not make use of this right the law shall not come into operation. Should the Reichstag decide by a two-thirds majority against the objection of the Reichsrat the President must within three months either promulgate the law in the form approved by the Lower House or order an appeal to the people. American experience of the bicameral system is peculiarly American and cannot under any circumstances be applicable to Indian conditions. The Senate in America consists of representatives of the Governments of the States and alone of many Second Chambers in the world has preserved a dignity and importance all its own.

Modern tendencies in regard to the functions of a Second Chamber agree in the following:

1. The examination and revision of Bills brought from the Lower House

2. The initiative of Bills dealing with subjects of a non-controversial character in a well considered shape

3. The interposition of so much delay in the passing of a Bill into Law as may be needed to enable the opinion of the nation to be adequately expressed on it, especially in regard to constitutional changes or changes in principles.

Any or all of the above objects can be attained by the appointment of Standing Committees even in a Uni-cameral Legislature, and are not in themselves a sufficient cause for the introduction of a bicameral Legislature. A second Chamber should never be allowed to act as a clog to the popular will, but if at all only to help to focus it better. The enlightened experience of many modern countries has found a hereditary Second Chamber extremely undesirable and attempts at an elected Second Chamber have varied in different countries, but the predominant note has been that the powers of the Second Chamber have been relatively limited as against the popular Lower House. Walter Bagehot in his English constitution says: "the dangers arising from a party spirit in Parliament are not great dangers (in this country) where the mind of the nation is steadily political, and where its control over its representatives is constant. A steady opposition to a well-formed public opinion is hardly possible in the House of Commons, so incessant is the national attention to politics, and so keen the fear in the mind of each member that he may lose his valued seat." What Bagehot said in regard to the English constitution can be affirmed to a significant degree even in regard to the Indian Legislative Assembly, and any argument based upon plausible radical inclinations of a Popular House are not likely to command much weight especially in a country like India where communities and interests act as checks and counter-checks even in a popularly elected House. Further, in most of the countries which have a Second Chamber the President, Governor or Governor-General, as the case may be, acts more or less as a constitutional monarch and his powers are, if not always in law, at least in practice, considerably limited. But in India we find that the Governor-General can exercise and does exercise extraordinarily wide powers. He has power to veto or reserve for the significance of His Majesty's pleasure, or of returning for further consideration Bills passed by Provincial Legislatures. He may stop proceedings in the Central

Legislature on any subject on which he considers further action to be dangerous to the public peace of India. In the case of the Legislature failing to pass legislation which in his opinion is necessary for the good Government of India he may act as if the Bill had been passed. In cases where demands necessary for the proper discharge of his responsibilities are refused, he may act as if the assent of the Legislative Assembly had been given. A large number of measures may not be introduced into either Chamber without his previous sanction.

Section 17 of the Government of India Act provides that, except as otherwise provided by or under the Act, a Bill shall not be deemed to have been passed by the Indian Legislature unless it has been agreed to by both Chambers, either without amendments or with such amendments only as may be agreed to by both Chambers. Section 24, sub-section 3, reads : " If any Bill which has been passed by one Chamber is not within six months after passage of the Bill by that Chamber, passed by the other Chamber either without amendments or with such amendments as may be agreed to by the two Chambers, the Governor-General *may in his discretion* refer the matter for decision to a joint sitting of both Chambers." One wonders whether with such wide powers for interference and veto the Governor-General would go out of his way *ordinarily* to refer a Bill in dispute to a joint sitting if he and his Government are opposed to the provisions of such a Bill.

As pointed out already it is wrong to start on the assumption that a Single-Chamber-Legislature is necessarily hasty or ill-advised in its ordinary work, and modern experience is not wanting to indicate that a Uni-cameral Legislature is a practical reality in some of the modern states. The constitution of the Esthonian Republic is remarkable for its simplicity and brevity. Legislative power is vested in a small Single Chamber elected for terms of three years by adult suffrage on principles of proportional representation. This State Assembly elects and appoints the Executive. The constitution of the Kingdom of the Serbs, Croats, and Slovenes also has remarkable features. The chief of these is to be found in the fact that it has provided only for one Chamber.

in the Legislature. It is all the more admirable especially as the new State is combined of several preceding States that differed widely in matters of religion, customs and habits of life. Article 86 of the constitution provides that every proposal for legislation must be voted upon twice in the same session. The experience of the Russian Socialist Federal Soviet Republic is even more interesting, though it might appear a red rag to sober armchair jurists or constitution-mongers. The supreme authority in the Russian system is the All-Russian Congress of Soviets. This consists of deputies of town Soviets in the proportion of one deputy for every 25,000 electors, and Congresses in the proportion of one deputy for every 125,000 inhabitants. It is a very large body comprising in 1921 no less than 1,600 members. According to the constitution this Congress is the supreme authority, but the greater part of its powers is delegated to an Executive Committee elected by it and known as the All-Russian Central Executive Committee. This Committee consists of nearly 300 members and meets four times a year in fairly long sessions. Its functions are in many respects like those of the Parliaments in countries of Western Europe. More than all we have had the experience of big Provinces in India itself which have been able to go on with a Uni-cameral Legislature for their ordinary legislation, and so far as one has been able to see no case has been made out to show that these Legislative Bodies have been foolish, hasty or ill-advised.

The history of the Council of State is more amusing than instructive. On practically many important constitutional or other questions the Council has gone against the Assembly as is evidenced by the divisions in the Council on the Salt Tax, the Patel Repressive Laws Bill, the Resolution on Constitutional Reforms (Pundit Motilal's amendment on Sir Alexander Muddiman's resolution). As things stand there is the great danger that far from helping to focus the public opinion the Council of State may misrepresent it. If the decisions of the Assembly are in conflict with the Government of India, then the Viceroy has ample powers to interfere at any stage. If the Government of India is sympathetic no useful purpose is served by the agreement or disagreement of the Council of State for in a joint session of the two Houses they are

ordinarily likely to be in a minority. The only purpose then which in the present conditions the Council of State can serve is to disagree with the Lower House especially where the Government and the Assembly differ.

It only remains to conclude. Historical parallels in regard to a Second Chamber are under present political conditions in India mere wanderings of a pedantic mind which are not likely to be fruitful to help the cause of Indian political evolution. There is no historical parallel to the Government of India in any part of the civilised world, and India's Second Chamber should be judged by Indian needs and conditions, and we can only say that the Council of State in India is a pompous futility and avoidable luxury. The Assembly by itself is a costly debating society whose powers even now are extremely limited and we have more bodies than one to revise its conclusions and sit in judgment on its activities. The Viceroy's veto and His Majesty's pleasure expressed through the Secretary of State for India are very living things, and to interpose a Council of State on an extremely inadequate representative basis in between the Assembly and these superior powers is to make representative Government a mockery under present conditions. The Council of State is neither fish nor flesh and its position in the present constitution of India is anomalous to a degree. If the day comes when India, both British and Indian, would combine into what may be termed a truly Federal State, and when all talk of progressive Responsible Government by successive stages has ceased both here and in England, and when Parliament is made to relinquish voluntarily or otherwise its assumed right that the time and manner of any advance of constitutional progress in India is to be determined by it alone, then and then only would it be time for us to think of the desirability of constituting a Second Chamber in India. Even if and when that day comes the progressive experience of modern nations may induce us either to discard the Second Chamber altogether if possible, or if necessary so to constitute it as not to allow it to become an engine for any possible misrepresentation of the popular will, and in any case to have its powers considerably restricted in its relation to the Lower House. But the time is not yet.

Far from the Statutory Commission having to consider the

desirability of constituting a bicameral Legislature for the Provinces, the momentous question that the Commission would be well advised seriously to consider is whether the Second Chamber in the Central Legislature cannot in the best interests of India herself, both political and economic, be summarily abolished.

"SECOND CHAMBERS IN THEORY AND IN PRACTICE," WITH SPECIAL REFERENCE TO INDIA

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The origin of the Second Chambers in most modern democracies goes back to the Middle Ages when their respective National assemblies were divided into several estates : three in France, four in Sweden, two in Hungary and England. It was not the doctrine that every well-framed constitution should contain some check upon the power of the popular Assembly in the shape of a Second Chamber capable of criticizing, amending and if need be rejecting measures passed by the popular House, that was responsible for bicameral legislatures. It was rather the representation of the various estates or orders of people such as the clergy, the nobles, and the laymen in their respective assemblies called upon to vote the taxes by the King. Neither had the idea of this restriction on democratic haste emerged in the Greek and Roman political institutions, though the councils of Greek Republics and the Senate at Rome, however different their functions, may be cited as showing some benefits which the existence of two bodies exercising constitutional powers may provide. Coming to modern times, when the first constitutions of the American State were drafted, a Second Chamber was deliberately introduced in imitation of the British Parliament with its two houses. The example has since been followed in most of the countries that have adopted popular or representative form of government including Japan. France both in 1830 and in 1875 created two (though it had only one in 1787) disregarding the dictum of Sieyès's, who is said to have asked, "of what use will a Second Chamber be? If it agrees with the Representative House, it will be superfluous, if it disagrees, mischievous."

In nearly all the European and American States and in Japan and India also, the legislature consists of two chambers. The aim of the Second Chamber in all these countries is nearly the same,

viz., that of creating a legislative authority whose function it should be to review measures passed by the popular House in such a way as:— (a) to subject every project of law to a revision which might introduce improvements in form or substance, a function which has become the more needed, since most popular Houses have been obliged to act under special rules limiting debate in recent years, (b) to prevent undue haste in the passing of important laws by securing a period during which the opinion of the people regarding a law may be duly formed and expressed. This would be specially needed as regards bill which affect the fundamentals of the constitution, or introduce new principles of legislation, or which raise issues whereon the opinion of the country may appear to be almost equally divided, (c) to permit of full and free discussion of large and important questions, such as those of foreign policy, especially in an assembly, whose debates and divisions do not involve the fate of the executive government

In Federal States, the need for providing a representation of the several communities or states which make up the Federation suggested the creation of a chamber to which each component part should return equal number of members, and this naturally became a Second Chamber for the whole nation. The United States led the way in creating its Federal Senate (in which each of the component states both large and small have equal representation, while in the house of representatives the people are represented according to their numerical strength) and its example has been followed by Switzerland, Australia, the Union of South Africa, Argentine Brazil and some other American republics. This plan is simple and has the great advantage of securing for the Second Chamber that weight which the representation of states or important communities carries with it. In India, too, a Second Chamber based upon the representation of separate communities or interests will be eminently suitable and incidentally solve the communal problem.

If such a Second Chamber be desirable, what should be its constitution and powers? In 1917, a conference of 30 members was set up by the Prime Minister of England under the Chairmanship of Lord Bryce to consider constitution, powers and func-

tions of a Second Chamber for England. Its discussions cover a survey of practically every device proposed for the solution of the Second Chamber problem. The thirty members of the conference included all opinions, from the leading champions of the House of Lords in the contest over the Parliament Act, to advocates of the Single Chamber system. It was agreed by the Bryce conference that the existing House of Lords should select only a minority or $\frac{1}{4}$ th of the members from the present House of Lords and that in order that the remainder of the chamber should not contain any element of privilege, no property or age qualification should be needed either for its members or its electors. The discussion as to how the bulk of the chamber should be selected revealed these four classes of suggestions, which included all the main schemes that exist either in the British Empire or in the foreign countries :—

(1) Direct election by large constituencies on the plan of the Australian Senate and that of the new Legislative Council of New Zealand.

(2) Nomination—for a small proportion of the Chamber—on the plan of Canada and South Africa, in order to secure the presence of persons of eminence not actively concerned in party politics.

(3) Election by Local Authorities grouped together in geographical areas, on some such plan as that of the French Senate.

(4) Election by the Lower House—as is the case in Norway.

The first of these plans—that of direct election would tend to make the Second Chamber a mere replica of the first chamber. It is generally agreed that the Second Chamber in a democracy should not possess co-equal powers with the popular chamber (and in particular should not exercise direct control over the Executive Government with the power of making and unmaking ministers) and thus become a rival of the House of Commons and be able logically to claim co-ordinate authority. If the Second Chamber has been elected at the same time as the larger House, it is likely to be controlled by the same political party, in which case its value as a moderating influence disappears. In India, a chamber elected on this principle would mean large constituencies and expensive campaigns.

The principle of Nomination (for at any rate a small element of the chamber) means in actual operation that the appointments would be made on the advice of the Prime Minister who would utilise them to reward party services, as is now the case in Canada and New Zealand. So a chamber created on this principle would be scarcely less partisan than the popular House and not much more certain to represent the special qualities and interests which a Second Chamber ought to possess. The principle of Nomination in India has the further disadvantage of defeating the popular will. Any *raison d'être* of the Second Chamber is, that, properly constituted, it is the ally and not the opponent of the public will. Judged on this criterion a Second Chamber based on nominations is sure to prove itself an opponent of the public will as the experience of the last five years has amply borne out in India. Election on a very restricted franchise as the Council of State in India is elected, makes it a pronounced body of vested interests habitually opposed to the popular will.

The two remaining methods : election by Local Authorities such as that used in France, and election by the Lower House as in Norway both involve indirect election. Election by Local Authorities would also create a Chamber scarcely less partisan than the Lower House and would in addition claim to be as representative as the Lower House, and attempt to rival its authority. This plan was tried in India in the old Imperial Legislative Council before the Montford reforms and was found to be extremely unsatisfactory even in the case of a single chamber system. I do not think, besides, the representation of special communities and interests could be secured in India in this way.

The proposal finally recommended by the Bryce conference, is the election of the Second Chamber by the House of Commons ; but in order to prevent the party with a majority from electing a Second Chamber made up of a solid block of its own supporters, it was agreed that the election should be by Proportional Representation ; Great Britain is to be divided into 13 electoral areas, and to vest the election of the representatives for each area in the hands of the members for the House of Commons sitting for constituencies within the area. The merits of this scheme are

that it creates a Second Chamber which has no claim to become a rival to the first, and that it avoids the expense, labour and confusion of a second series of popular elections. Elections by Proportional Representation on local territorial constituencies would also lessen the partisan character of the Second Chamber. At the same time, the members of the Second Chamber will hold office for 12 years, 1-3rd of its members retiring every four years, so that it may be in touch with changing public opinion. The members sitting for a longer period than in the first chamber would not be thus a mere inflection of the First Chamber. The defects of the existing legislatures, or what Lord Bryce calls the "Pathology of legislatures," and of the undue control exercised over them by party or class organisations, calls for a properly constituted Second Chamber to act as a check against hasty and partisan legislation and the evils arising therefrom. Such a Second Chamber has been recommended by the Bryce conference.

The Bryce conference recommended that the Second Chamber should consist of 325 members and $\frac{2}{3}$ of the members should be elected from the House of Commons, either from its own membership or from outside and that the remaining $\frac{1}{3}$ th, i.e., 81 members should be chosen from the existing peerage from their own order in the first instance and that this number should by a gradual process be reduced to thirty. The suggestion, that representatives of the dominions should have seats in the Second Chamber was defeated by a small majority, on the ground that the proposal opened up the wider question of the future constitution of the British Empire.

The recommendations of the Bryce conference were incorporated in five Government resolutions of July 19th, 1922 and introduced in the House of Lords by the Cabinet. This scheme met there with a frigid reception due to the fact that while the constitution of the chamber was to be reconstructed, its powers were to remain unchanged. The Noble Lords felt in the words of Lord Selbourne:—"If real Power were given to this House, I would vote for great and drastic reforms in its constitution, but if we are to be put off with a sham, then I will have nothing to do with wrecking the ancient constitution of this House." So the question of the

Reform of the Lords remains now where it has been during the last quarter of a century.

While the scheme proposed by the Bryce conference may suit the conditions of England, it does not apply to the Indian conditions. The Second Chamber in India, as elsewhere, should not be entrusted with the right to defeat legislation. Its proper function is to make suggestions for amendments. In India we have to solve two problems :—(1) The constitution of a Second Chamber in which the divergent interests can find adequate representation, or the solution of the communal problem and (2) The Regulation of its relations with the popular House. The first of these problems may be solved by the application of the Federal idea, that is in the Lower Chamber all communities and provinces should be represented as a single nation according to their numerical strength, while in the Upper Chamber constituted of some 100 members, they may be represented in equal numbers, for instance the Hindus and Mohammedans as representing the two largest communities should have equality of representation, i. e., 25 seats each, while the Europeans, Indian Christians, Sikhs, Jains, Parsis, Buddhists, etc., may all together be given another 25 seats, i. e., the same representation as that of the Hindus or Mohammedans. The special interests such as Landlords, capital, labour, agriculture, commerce, may be given special representation of five seats each, or total representation equal to that of the major communities. The 25 Mohammedans seats may be distributed among the various provinces such as the Punjab, Bengal, the United Provinces, etc., in proportion to their numbers in each province to the total strength of their community in India. The same will be the case with reference to other communities and special interests. A provision may also be inserted in the Constitution to safeguard minority and communal interests to the effect, that no legislation affecting religion or social legislation should become law unless assented to by at least three-fourths of the members of the Council belonging to the community affected. Such a provision has already been recommended by the Joint Congress-Muslim League Scheme of 1916 in India. The adoption of a provision of this kind will guarantee the freedom of worship and religious toleration to all communities alike and need cause no apprehension to the minorities ;

similar provision already exists in the constitution of Canada, so far as the French Canadians are concerned, as also in Switzerland.

The present principle of nomination and representation of officials is to be done away with. In a chamber constituted on this basis, there will be really no necessity for the representation of Government officials as such, as the Viceroy retains the veto power over legislation in any case. The total number of members in the Popular chamber should be from two to three times the number of members in the Upper Chamber, as a country of the size of India cannot get adequate representation without at least this number, i. e., from 200 to 300 members. The following table shows the number of members in the Lower House in England and other Western countries :—

England	..	..	About 600	The population of
U. S. A.	..	..	" 500	India is from 3 to 10
France	..	..	" 500	times more than any of
India	..	..	" 144	these countries.

Persons thirty years of age of both sexes who are literate should be eligible as electors for communal constituencies for the Upper Chamber. The qualifications of the Candidates for the Upper Chamber should be the same as those of Electors. The term of office will be for five years as at present, while the Assembly term will be for three yeass. For special constituencies like capital, labour, etc., one must possess membership in their respective associations, such as Trade Unions, Landlord, Associations, Chambers of Commerce, etc.

We now come to the second problem, that of the relation between the two Houses, or the powers of each House. With reference to the functions and powers allotted to Second Chambers in Europe and America, they may be classified into three classes :—

(1) Those, which are equal in power both legally and practically to the first or Popular House. These include the Second Chambers elected on Universal sufferage, such as the Senate of the U. S. A. and of Australia. The powers of the American

Senate are indeed greater than those of the House of Representative for it is not only a branch of the legislature but also a sort of council to the President, advising and to some extent controlling him. The present Council of State in India belongs to this group, except the power of voting for grants. It has the same powers both legally and practically as the Legislative Assembly, and that accounts why the will of the popular House was so often thwarted by the Upper House during the last five years.

(2) Those whose functions are legally equivalent, or nearly so, to those of the First Chamber, but whose power is practically inferior, perhaps much inferior, to this class, belong the Upper Chambers of Great Britain, France, Italy, Belgium, and most other European states, as well as those of New Zealand, the Dominion of Canada and the Union of South Africa. Among these, the French Senate is the strongest and that of Canada is the weakest.

(3) Those whose powers are legally as well as practically inferior, such as the Senate in Holland and the Lagthing in Norway.

The difference in functions between the two Houses turns chiefly on finance. An Assembly not directly chosen by the taxpayers, or chosen on a very narrow franchise as in India, does not seem entitled to equal power with one directly elected, as respects the raising of taxes and the appropriation of their proceeds to particular purposes; since, the control of revenues is the means of controlling the Executive it follows that in countries where Ministers hold office at the pleasure of Parliament such as France, Britain and the British self-governing Dominions it is the popular House whose vote practically installs and displaces them. In India, by a convention established during the first session of the Legislature, the council of state had successfully established its right to amend a money bill. This means a great blow to the constitutional privilege of controlling the executive by means of the financial control of the popular House. The reconstituted Upper House in India, like its Western proto-types in England and France should not possess any powers over a Money Bill. The question as to what constitutes a Money Bill may be decided by the Speaker of the Assembly, as is the case, in England. The Speaker with

his high tradition of impartiality may be relied upon to act fairly to prevent revolutionary proposals being included in Money Bills. The speaker of the House of Commons has refused his certificate to Finance Bills on three separate occasions in the sessions of 1911 and 1914-16, which, therefore, went up to the House of Lords as ordinary Bills and not as money Bills.

Broadly speaking, the powers of the Second Chamber vary with the mode of its formation. They are widest where it is directly elected as in the United States and Australia, narrowest where it is nominated or hereditary as in the case of Canada or Great Britain. The more it is popular the more authority, the less it is popular the less authority will it possess. The general consensus of opinion seems to be that the chief function of the Second Chamber should be to delay action and legislation until the people have had full time for considering vital issues. The test of effective power is this: what happens when the two Houses disagree and each seeks to persist in its own view? The Bryce conference and the Government resolutions both suggested that the Second Chamber must accept any Bill passed through all the stages a second or third time by the Popular House, which the Second Chamber has rejected. This is the practice in England even now according to the provisions of the Parliament Act of 1911. Another method in vogue in some countries is that the two Houses may meet as one and the difference be determined by their joint vote after debate. This is the method proposed by the Government of India Act of 1919. A Joint Session of the two Houses may meet when differences arise and when the Governor-General summons them, but though such a situation arose once or twice, the Assembly due to the split of the Independent and Swarajya parties, has reconsidered its earlier decisions and fell in with the view of the Elders. On another occasion the Government avoided a Joint Session by voting with the Assembly's view in the Upper House. In any future controversy between the two Houses, the result will be in favour of the Assembly in a Joint Session due to its numerical preponderance over the Upper House. Another method to settle the differences is that the votes taken in each House separately may be added together and the combined majority taken as decisive. In the Australian Commonwealth the Legislature is dissolved and the

Bill again voted on by both Houses after the general election and ultimately by the Houses sitting together. In certain countries, a Joint Conference Committee chosen by both the Houses meets and the matter settled by their votes after discussions: Or the question may be referred to the whole people to be voted on by them in a Referendum as in Switzerland.

The Second Chamber in India, as elsewhere, should not be entrusted with the right to defeat legislation. Its proper function is to make suggestions for amendments and its power should be confined to securing sufficient delay to ensure that those amendments shall be properly debated and that sufficient time shall be allowed for the expression of public opinion upon them. Due to the nature of communal interests and the special interests of Government, the best solution in case of conflict between the two Houses in India would be a Joint Session held after a delay of six months during which time the opinion of the country will be crystallised. A dissolution of both the houses of legislature as in Australia, and a fresh general election will entail heavy expense and an extensive campaign for the conditions of India.

It may be noted that communal representation has been recommended in the newly constituted Upper Chamber for India on the explicit understanding that for the popular chamber of the central government and the provincial councils, representation is to be given on the basis of proportional representation and not that of separate communities. It should be understood that communal representation as recommended by me for the Upper Chamber in India is meant only to be a transitory measure till such time as the various communities of India feel confidence in the good faith of their fellow citizens. This result is bound to come with the growth of nationalism and the spread of education, as the experience of countries like Canada, South Africa and Switzerland have proved.

If the Second Chamber in India is constituted along these lines in 1929, then it will not only solve the difficult communal problem, but also make it a true reasoning chamber and an ally of public opinion and not its opponent. It will no longer be open to the charge of blindly supporting the government or acting as a reactionary body. It will also have the additional advantage of representing

various conflicting interests like Capital and labour, landlords and peasants, and agriculture and industries.

It may be added that the conditions of the Provinces in India at present do not warrant the creation of bicameral legislatures. Unicameral legislatures have been working fairly well as in the case of Canada, though it is necessary to expand their membership in some cases, and increase their powers in all the provinces.

Institutions are only a means to an end. The best of Institutions, after all, do not work well if they are not worked in the proper spirit. So what is needed in India is not only an ideal constitution based upon the experience of Western nations, but also a spirit of citizenship somewhat akin to the spirit that prevailed in the Greek City States. Every citizen must be imbued with the spirit of service freely given to the state, without expectation of any reward or material gains. Such a spirit already exists in India as far as family and communal considerations are concerned. We as a race are individualistic in our National life and communistic in our family life. What is required is that the communistic spirit should be applied to the national polity instead of in the family polity and to the solution of national problems. To inculcate this civic spirit an extensive campaign of education is the prime necessity in the villages and towns of India. Civic education should be made compulsory along with the three R's in primary schools, and taught along scientific lines in high schools and colleges. Then, and then only, the poison of communal or separatist tendencies will be eradicated and a true sense of solidarity and nationality will develop to work the future constitution of India along successful lines. An unified India and not a "House divided against itself" can contribute its quota to the human civilization and the problems of world organisation.

TRICAMERAL LEGISLATURES

A SUGGESTION TOWARDS THE SOLUTION OF THE COMMUNAL PROBLEM IN INDIA

BY

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We have become so accustomed to the bicameral system of legislature in most of the modern constitutions of the world, that the suggestion to adopt a three-chambered system of legislature for any country will cause some surprise. In these days of democracy the problem of second chambers in any country is generally stated as a choice between a unicameral and a bicameral legislature, and never so one between two and three chambers. And yet as Baron Eötvös—the Hungarian political philosopher—and a host of other writers have pointed out, the adoption of the bicameral system was nowhere the result of conscious political reflection but of historical necessity or uncritical imitation. In the middle ages, when parliamentary institutions of Europe had their origin, the representation of people was by estates. There were three of them in France and England and four in Spain and Sweden. Corresponding to these estates there were chambers consisting of barons, the clergy and burghers and a chamber of peasants where the four house system prevailed. In the case of England, Edward I, in his model Parliament, provided for 3 houses representing the barons, the clergy and the burgesses, but the lower clergy, in consonance to the spirit of the age which insisted on a separation of the spiritual from the secular power, preferred to vote the grants for which they were summoned in a separate convocation. The national Parliament thus came to consist of only two houses—the Lords and the Commons. This bicameral system, itself the result of a historical evolution, has by its striking success in England, deeply influenced practice in other countries and has been widely imitated. For a long time it stood unchallenged, but when the doctrine of popular sovereignty—single and indivisible, began to gain ground, the necessity of an upper chamber began to be questioned. It is in answer to such attacks, that the orthodox theory of a second chamber began to be

elaborated. In this respect political thought has been essentially pragmatic. Political theory has followed political practice; but once theory was propounded, practice has tended to follow theory, as evidenced by the movement for reform in those second chambers which being the result of historical evolution and imitation do not satisfy the test of orthodox theory. It is on grounds of theory as well as those based on the peculiar circumstances of each country that the setting up or the continued existence of a second chamber has been defended. The object of this paper is to inquire whether a three-chambered system for India cannot be defended on similar grounds. For this I do not propose to rely on French or Swedish historical analogies; for I realise that the functions which the chambers of the middle ages performed were comparatively simple and radically different from those performed by legislative chambers of the present day.

It is, therefore, necessary at the outset to decribe the functions second chambers of the present day are expected to fulfil, which are either beyond the competence of a unicameral legislature or which it can at the best perform inadequately. It has been noticed that under the same form, second chambers in different countries perform different functions. It may be used, as in England and old Hungary, to represent an ancient historical principle or wealth with a view to serve as a check on the popular propensities of the other house, or to enlist talent which cannot or will not enter politics through the door of election in order to secure a more intelligent and impartial consideration of measures than the lower chamber can give, or to protect minorities and secure revision and delay the operation of hasty measure, or, in composite states, to safeguard the separate interests of constituents which will not be considered adequately protected in any other manner. These functions are combined in varying degrees in various countries. In every case the functions to be performed determine the inner composition and structure of the chamber. The dangers incidental to the unchecked working of a popular chamber have been so vividly realised that the need of a second chamber on one or some of the above grounds is now universally admitted. Many countries after having tried the unicameral system have again reverted to the bicameral system. The former now prevails in Europe only in Russia, Turkey, Greece, Bulgaria, Finland, Esthonia

and Jugo-Slavia. In some British colonies where the single chamber system prevails the power of the chamber is checked by the adoption of Referendum. Lord Bryce in his survey of the working of democracy, besides other reasons, mentions the following as proving the need for Second Chambers :—

“ The two defects most frequently charged upon legislative bodies in our time are the following :—

1. Legislatures contain too little of the stores of knowledge, wisdom and experience which each country possesses.

2. Legislatures are liable to fall under the control of one political party disposed to press through, in a hasty or tyrannical spirit, measures conceived in the interests of that party or of a particular class in the community, often without allowing sufficient time for full debate, sometimes even by means of an organisation of the ruling majority which binds all its members to support whatever measures have been adopted by the larger part of that majority. Where this happens it is not the legislature as a whole that governs but a majority which may frequently be a minority of the whole body.

Taken together, these defects are a danger to democratic government. If a nation proceeds on the principle not only that the people are always right, but their elected representatives are always competent to carry out in an efficient way the people's will, even when its action has been most hasty, then of course no check and little revising skill are needed. Or if, again, it be held that the harm caused by the errors of a representative body is less than the harm which would result from any attempt to delay its action, then again there need be no talk of a second chamber. But unless this view prevails, there must be some means for correcting the defects aforesaid, which tend to grow more dangerous because functions thrust upon Government are becoming more numerous and complex, so that greater and greater special knowledge and skill are required to discharge them. More and more do they demand not only technical attainments, specially in the economic sphere, but also that power of steady and penetrating thinking not often present in the average legislator. The existing legislative machinery of most countries does not sufficiently provide for the study of

economic and social problems in a directly practical spirit by those on whom the duty falls of passing out law measures dealing with them, because legislatures incessantly occupied with party strife and with the supervision of the executive in its daily work of administration have not the time, even if a sufficient number of their members have the capacity, for such investigation. These considerations suggest that where such defects exist with little prospects of curing them by improving the quality of directly elected legislatures, a remedy may be found in the creation of a second chamber which might be made a reservoir of special knowledge and ripened wisdom to be added to whatever knowledge and wisdom have already been gathered into the mere popular house."

But while the necessity of a second chamber is clear it has not been easy to devise its composition specially in a unitary state, in order that it may fulfil satisfactorily the functions which are intended for it. Hereditary legislators have been considered as absurd as hereditary mathematicians, unless they have some traditions to inspire respect. Nominated peers are notoriously weak and not free from party influences. Elective second chambers reproduce the vices and defects of the lower chamber and create deadlocks. A restricted franchise makes them the refuge of plutocracy. It by no means makes for the presence of those elements of knowledge, wisdom and disinterested patriotism for which Lord Bryce is so anxious to provide. In fact, the task of finding a suitable differentia of a second chamber in a unitary state is beset with peculiar difficulties. But it is comparatively simpler to construct one or more second chambers in a composite state, because there its functions are somewhat different. The diverse elements which go to constitute a composite state would not have combined, if adequate guarantees had not been forthcoming for their separate existence. One method of guaranteeing their separate entity is to make the second chamber represent the constituent elements, while the lower chamber stands for the whole. A federation is a compromise between the opposite principles of separateness and unity and both principles find individual experience in the two branches of a federal legislature. It is because of precise definition of function, that upper chambers in federal states show greater vitality than upper chambers in unitary states. Incidentally, they perform negatively

the functions which political theory has assigned to second chambers in unitary states. For, if they do not discharge the positive function of providing stores of knowledge and wisdom (every elected upper chamber must to some extent be a reflex of the lower chamber), they at least serve the negative function of acting as a check on ignorant and ill-considered change, so that the status quo is maintained. Where wisdom is not available, the next best thing is to have stability, and that, judging from the examples of U. S. A., Switzerland and Old Germany, a federal senate in some respects manages to secure.

Traditional political theory of Second Chambers has, however, proceeded on the assumption that there is only one line of cleavage in a country which matters—namely the territorial, and that other divisions of interest or sentiment do not exist or do not deserve representation and protection. This is, however, incorrect. Such an assumption, however true of the time when the American Federation was organised, is no longer true at the present day. At least it is not true about India. Most of the 13 American states which combined to form the United States of America were, within their limits, homogeneous communities and no pronounced social, religious, cultural and economic interests divided their citizens from one another. It is true that in the Southern states there were whites and negroes but the latter were slaves, totally unconscious of even their human rights. These states, however, differed from each other in their social outlook and economic condition, and, therefore the only thing which clamoured for separate representation in the new constitution was the sovereign territorial interests of the states. These were enshrined in the well-known English device of a Second Chamber. But in the modern highly organised state, where the simple bee-hive structure of society has given way to an organic structure with differentiated parts having specialised functions, the interests which cry for representation are many and various. The interest of locality even in a unitary country like England, though still great, is not the most important and has tended to recede before the all-pervading economic interest and other interests which have arisen as a result of the intellectual and spiritual ferment of the 19th century. The religious interest long repressed by the Erastian policy of England, which reduced the church to a department of

the state and condemned Englishmen for a long time to a dead uniformity of religious belief, has revived after the complete triumph of toleration. Such interests are organised into groups or communities with personalities and purposes of their own which require effective political expression. Their existence has modified our conception of the state. Instead of regarding the state as a single unitary society with its single indivisible sovereignty, we now regard it as a community of communities, as a federal society containing within its borders different national groups, different churches, different economic organisations. These groups or communities having inherent rights, as maintained by Gierke and Maitland, have as much claim to effective representation as territorial communities. Yet the modern legislature elected only on a territorial basis makes no provision for them. The result is that legislatures organised on such a basis are unable to solve satisfactorily the problems which those groups press upon them. This is specially the case with the permanent issue of European politics—the conflict between capital and labour. But the churchman joins with the Fabian, the Syndicalist, the Guild Socialist and the jurist in deploring the growing inability of legislature to bear the burden which the increasingly complex conditions of modern life have thrown upon it. In England Dr. Figgis, Maitland, H. G. Wells, Granvilles Cole and Graham Wallas may be an ill-assorted company, but they all champion the group against the unified state. Parliament feels impotent before imperial, colonial, social and labour troubles of the first magnitude, because its constitution, good enough for the 18th century, is not able to withstand the strain of the 20th. It required a civil war to settle the question of Ireland, and it always requires a suspension of the entire business of the community to settle a coal or transport dispute. It is impossible not to feel that if there were a league of occupations and professions, or in other words a separate chamber, either in addition to or in place of the present House of Lords, to represent the new economic groups, it would become difficult, if not impossible, for one group to defy or blackmail all other groups in the country. Without such a device the House of Commons, instead of remaining a centre of national unity able to decide matters from an impartial point of view, will become, as in fact it has become, an arena of conflict for economic factions and contending parties.

Such factions, in the absence of representation and means of influence elsewhere, are bound to fight elections to it on their narrow and selfish issues so long as it remains the only effective chamber of representation. It is far from my purpose to decry the territorial basis of representation, but I only want to emphasise that there are other equally important bases and they might be used with advantage to construct a second or in some places a third chamber to deal with matters exclusively pertaining to them. Apart from the theories of Syndicalists and Guild Socialists, a system of representation based on occupations has been actually suggested for the English upper house by Graham Wallas in his book "The Great Society"; and Lord Birkenhead's recent proposal to add some trade union peers to the House of Lords lends some support to his suggestion and voices the general dissatisfaction with the present constitution of legislatures. I have already expressed the opinion of Lord Bryce that modern legislatures are unable to solve social and economic problems in a practical spirit. He notes their decay, describes their pathology, regrets their decline, but makes few workable suggestion to prevent it. The Germans, however, have not been content to leave matters there. The German constitution of Weimar was born in the year 1919 amidst great suffering and, therefore, embodied some new remedies for old evils. It has been aptly said that it vibrates with the tramp of the proletariat. Among other proposals, a suggestion was made to create side by side with the Reichstag and the upper house representing the territories of the empire a third chamber called the Chamber of Labour or the Vocational Parliament, enjoying all the powers of a co-ordinate second chamber in relation to the national legislature. The following arguments in the words of M. Brunnet were urged in favour of the proposal :—

"In order to reconstruct Germany economically one cannot depend on a political parliament. A study of the history of the parliamentary system brings the conviction that if a parliament has proved to be an adequate organ of political legislation, it is nevertheless admittedly incapable of solving the economic and social problems it encounters. The parliamentary system that consists of the formation of a government with the parties of the majority, is much more a product of classical liberalism than the creator of new social and economic forms. All the ideas current to-day and which con-

stitute the guiding principles of our political life, viz., democracy, national sovereignty, the forming of popular will, division of powers, belong to an epoch in which the economic activity of the state was combated with passion. When it has created its political system liberalism remains content with the forms that answer only to purely political exigencies. But to day ideas on the role of the state are changing. The state in the last few decades has little by little ceased to limit its activity to the role of "watcher of the night" which liberalism assigned to it; and more and more the organs of the state have been forced to exercise an influence on public economy. Modern Parliamentarism is insufficient to permit the state to fill its new duties. For the political chambers are divided in parties that group themselves according to changeable ideological conceptions, based on the idea of what should be—the idea that dominates the parties. But in taking a position in accordance with such articles of faith and political axioms, one does not acquire the necessary technical knowledge to gauge and judge economic questions. We must, therefore, if not actually suppress the political parliament, at least put beside it special organs charged with fulfilling the economic duties of the state." The proposal was, however, rejected in the interests of formal democracy as opposed to real democracy, and in place of the Chamber of Labour, the article 165 of the German constitution instituted an Economic Council without the power and status of a second chamber. It is, however, provided that drafts of laws of fundamental importance relating to social and economic policy before introduction into the National Assembly shall be suggested by the National Cabinet to the National Economic Council for consideration. The National Economic Council has the right itself to propose such measures for enactment into law. If the National cabinet does not approve of them, it can, nevertheless, introduce them into the National Assembly together with a statement of its own position. The National Economic Council may have its bill presented by one of its own members before the National Assembly. These are undoubtedly large powers and unprecedented in political history but fall far short of the ideal. The power of labour unions whether in England or Germany is great and in the latter country was strikingly illustrated in the Kapp *putsch* episode in 1920. When the German reactionaries organised a *coup d'état*, the political Govern-

ment representing the so-called general will of formal democracy fled precipitately from the capital ; but the labour unions, by the simple process of a general strike, crushed the reactionary regime within 4 days and afterwards began to dictate the choice of ministers to the runaway cabinet. To deny such groups constitutional collaboration in a second chamber in association with the employers, while they continue to exercise an irregular and irresponsible political power without such association, is to ride the doctrine of classical democracy to death and invite repeated trouble. Advisory boards with power to report and recommend on vital interests which divide the state, can at best be imperfect substitutes ; for when passions run high and feeling is excited, reports are treated as scraps of paper and recommendations treated with contempt. Moreover, the devices do not affect the non-representative character of the legislature which ultimately decides the question in dispute and naturally settles it according to the principle on which it has been elected. It may, however, be urged that under the multicameral system the machinery of Government becomes complicated and cumbersome. That is true, but under modern complex conditions a patriarchal simplicity of Government cannot be expected. Friction, however, may be minimised by dividing the functions of a second chamber into parts, each to be appropriated exclusively to a single upper chamber, for which the house representing the principle of unity would in relation to that upper chamber act as a lower chamber, so that in practice there would be functioning at any time only two chambers, though there would be more than one upper chamber.

Having stated the arguments for representation of interests other than those of territory in a second chamber, and the feasibility and desirability of having more than two chambers under certain conditions when the interests to be separately represented are numerous and important, we proceed to consider how far and with what modifications these arguments are to be applied to India. I shall confine my remarks for the present to the central legislature. It is necessary at the outset to state the broad considerations which govern the problem of constructing a suitable legislature for India. Sir Malcolm Hailey, speaking on the debate which led to the declaration of the intention of Government to appoint a committee to enquire into the working of the reforms in India, summed up the difficulties

in the way of Indian political advance under three heads—the problem of the relation of native states, the problem of minorities, and the problem of the protection of the lower classes. No one seriously contends that these problems do not exist, but while Sir Malcolm stated them clearly he did not suggest any means of solution except the continuance of foreign control over India. It cannot, however be denied that the difficulties of these problems can be minimised to some extent by a suitable organisation of our political institutions specially the central legislature which may in course of time be expected to control the executive. Taking the problem of native states first it is evident that there is no political contact between British and Indian India except through the common channel of the Government of India. India is thus divided into parts which are not in organic political relation with each other but have a certain mechanical unity imposed by a common power. Both the British provinces and the native states enjoy a considerable measure of autonomy, but in large matters they ultimately depend upon the Governor-General in Council who is assisted by the Chamber of Princes and the British Indian legislature in their respective spheres but never controlled by them. The problem is how to bring such rigidly separated parts in living constitutional relations with each other. It is evident that if the princes are to be induced to enter into such relations with British India of their own accord, their present autonomy must first be respected. In goodness of time they will perhaps grant liberal institutions to their subject in response to the spirit of the age. Secondly, they must be allowed, by way of inducement, to have a voice in the settlement of those affairs which are common to the whole of India and from which they are now debarred, viz., Currency, Customs, Railways, Post Office, Army, Foreign Affairs, etc. They should also be made eligible, as in the Moghul Empire, for holding provincial governorships in the British area without sacrificing the autonomy of their territories. The best way of giving them a voice in the settlement of all Indian affairs would seem to be to grant their administrations along with British Indian provincial governments direct representation in an upper chamber known as the Chamber of States or Territories. It will represent the territorial principle in India, and subject to reservations to be mentioned below, occupy much the same position as the

American or Australian Senate, the Swiss Ständerath or the German Reichsrath. It will of course be absurd to give the smallest state as much representation as such big administrative areas as U. P. and Bengal. Representation would be unequal, but not necessarily proportionate to the population, as otherwise there would be a danger of swamping. Special consideration would have to be shown to the smaller administrations. The larger native states would of course be directly represented while the small states will have to be grouped together for the purpose of representation perhaps after the German model just as in the Chamber of Princes. It would be best to have for the chamber indirect election by proportional representation by the legislatures of the administrative units, since it is primarily the administrations which are to be represented. Proportional representation will secure the rights and interests of communal and other kind of minorities in the provincial legislatures. Such a chamber would be necessary even if the native states do not come in.

It might be urged that the differences dividing one part of India from another are so radical and the centrifugal tendencies of race, language, culture and juridical status are so strong that India will have to be organised on a federal basis, and, therefore, its central institutions should have a federal character. By this it may be meant that the different provinces of India should be granted independence and then united together on a federal basis, or merely that the connection between British India whether organised on a unitary or a federal basis on one side, and the native states on the other, should be federal in form and substance and that the all-India institutions should be organised accordingly. In the second form, the argument proceeds on the assumption that the native states are sovereign communities which can be only induced to combine with British India by receiving guarantees in the constitution and in an upper house which are usually provided in federations. The assumption is, however, incorrect as whether under the Moghul Empire or under the British the native states have never been sovereign though they have been always autonomous. The most powerful princes like the Peishwa and the Nizam were proud to be deputies of the Moghul Emperor until they concluded subsidiary treaties with the British Government which put an end to their

military and political independence. They are much less sovereign now than they were at the time of the Great Anarchy. In fact, through political residents, the Government of India sometimes exercises greater authority over native states than over British provinces. There are of course various degrees of dependence on the central government but in nearly all cases sovereign control over such subjects as the army, foreign relations, railways, customs, etc., has already been lost, and the native states have now nothing to give in order to exchange it for the ordinary rights of constituent states in a federation. Such being the case, it would be inadvisable to weaken the national state by emphasising particularistic tendencies which have long lain dormant. The main thing to remember in any scheme of political organisation involving the native states is that they should not be worse off than they are at present and that, if possible, they should improve their position by an organic union with British India. Under the scheme of representation which I have outlined above, they actually do so and that should be an inducement to them to join. There are also more vital objections to a formally federal tie between British India and the individual native states. It will be absurd to give them equal power or representation with it. In the case of inequality the disparity between them and British India will be so great that they would be overshadowed much more effectively than the German states were by Prussia in the old German Bundestaat. It is better from their point of view to sit side by side with units like Assam, C.P. and the Punjab than with such a colossal entity as British India.

If the arguments against a federation of British India with native states are valid they are much more so in the case of the British provinces. They have not even the semblance of sovereign countries. By federation they have everything to receive but nothing to give. The authors of the Montagu-Chelmsford Report rightly say :—

“ Granted the announcement of August 20, we cannot at the present envisage its complete fulfilment in any form other than that of a congeries of self-governing Indian provinces associated for certain purposes under a responsible Government of India, with possibly what are now the Native States of India finally embodied in the same

whole, in some relation which we will not attempt to define. For such an organisation the English language has no word but 'federal.' But we are bound to point out that whatever may be the case with the native states of the future into the relations of provincial and central governments the truly federal element does not and cannot enter. There is no element of pact. The government of the country is at present one; and from this point of view the local governments are literally the 'agents' of the Government of India. Great powers have been delegated to them because no single administration could support the Atlantean load. But the process before us now is not one of federalising. Setting aside the obstacles presented by the supremacy of Parliament, the last chance of making a federation of British India was in 1774 when Bombay and Madras had rights to surrender. The provinces have now no innate powers of their own, and therefore have nothing to surrender in a foedus. Our task is not like that of the fathers of the union in the United States and Canada. We must sedulously beware the ready application of federal arguments or federal examples to a task which is the very reverse of that which confronted Alexander Hamilton and Sir John Macdonald."

Federation cannot be justified on legal, historical or constitutional grounds. Indian history furnishes no instance of a province ranking itself on an equality with the central government. Nor can it be justified on grounds of practical policy. It is a distinctly retrograde step to raise the subordinate but autonomous provinces to the level of co-ordinate authorities with the central government and to invite territorial anarchy. If the American, Swiss and German federations, with their common traditions and homogeneous influences of race, language and sentiments, had to face the horror of civil wars or the risk of separatist movements, and the Australian Commonwealth has had recently to put up with the defiance of a constituent state over the shipping strike, the dangers of disruption and disintegration are greater in a country of many races, creeds, castes and languages with traditions of communal and provincial disunion. Whatever be the degree of autonomy, the central government must retain the power of restoring order to a distracted state or bring peace between two warring provinces. In this sense at least, the Viceroy's warning that provincial autonomy is a snare is true. Should the central

government adopt a federal system and thus place itself on a level of equal authority with the provinces, it would lack the right to protect minorities against the illegitimate tyranny of communal, and social and linguistic majorities. There is also another objection against the federal system. At present the Indian provinces are artificial aggregations and hardly function as territorial or ethnic organisms. Sooner or later they are bound to split up into more natural units. Should the provinces instead of remaining elastic parts of a composite state enter the rigid bound of a federation in which territorial integrity is guaranteed, this healthy process would come to an end. Nor will the reverse process of amalgamation of parts of a partitioned community be facilitated. This argument is equally applicable to the native states. Should the Gujrat native states desire to combine in one state either with or without the British Gujraties or should the Mahrattas, the Andhras, the Oriyas, the Canarese and the Keralas aim at a similar object, the federal guarantee would act as an insuperable obstacle. For this reason the recent German constitution has expressly reserved the power to break up Prussia or to form new states by amalgamation. Jurists have, therefore, argued that Germany is no longer a federation because once the territorial sovereignty of states is lost the composite state ceases to be a federal state. India stands on the same footing. It is neither a unitary nor a federal state. It is unitary in outward form but federal in substance. It had best be described as a composite state. It will necessarily have a peculiar constitution which will be neither federal nor unitary but something between both suited to its unique composite character.

The second and third difficulties mentioned by Sir Malcolm Hailey refer to the problems of protecting minorities and the lower classes. The former in its special form of the Hindu-Muslim question has become acute in Northern India, while the problem of the lower classes, who are generally in the majority, has crystallised into the Brahmin and non-Brahmin controversy in the Madras and Bombay presidencies. Nothing strikes an observer more than the number and variety of social groups in India, divided from each other by colour and religion, caste, culture and occupation, race, language and locality expressing itself in a variety of custom, costume, food, habits, manners and belief. The variety is so bewildering that he generally

fails to observe the fundamental psychological unity which exists beneath. All these groupings can be summed up under the word 'caste'. Within its framework, the most alien groups which vehemently protest against it but do not escape its influence, find a place. As proved by Sir Edward Gait in his 1911 census report, castes are of various kinds—castes based on complexion, race, religion, locality, customs and occupations. If India were considered as a social whole, the Muslims, Europeans and Anglo-Indians could be treated as castes with distinctive ways of living, having an appropriate and well-defined place in the social organism, since the main differentia of a caste is that it is socially distinct specially for the purpose of dining and marriage.

This social exclusiveness is, however, quite consistent with good will for others so that these social groups can be brought into working co-operation with each other. Looked at from this point of view India appears to be a community of communities. Indeed, communal division has been, since ages, the most characteristic division in India and to-day transcends in importance the economic division and, in some cases, even the territorial division. The European of Calcutta has more in common with the European of Madras and Bombay than with the Bengalee who is his neighbour. The same might be said about the Anglo-Indian, the Mussalman, the Brahmin, the Rajput, the Sikh, etc. That perhaps explains why there are more all-India communal conferences than territorial gatherings. The fact is that communal consciousness is a historical tradition while territorial consciousness is a new thing—largely the product of western institutions. Caste or religious patriotism takes the place of local patriotism. Old oriental empires recognised the strength of the former feeling and dealt with it accordingly. They recognised "Kaum" and "Milaat" (meaning community) and ignored the locality. The British Government with its western notions for a long time ignored the former in its political arrangements until it had to recognise it by the clumsy device of nomination and afterwards of separate communal representation. It mildly regrets that such a thing should be necessary. Foreign observers, used to their own territorial groupings and homogeneous condition, have generally condemned caste and religion as obstacles to the political progress of India. The Indian Liberals have generally echoed these observations.

Even some orthodox Hindus and Muslims have condemned them and have started Sangathan Sabhas and Tauzim associations to reduce their multiplicity and give India the blessings of western unity. I do not know whether some of them do not contemplate even massacre as a means of unification. And yet the much maligned social and religious group is not much more unreasonable than the economic or territorial group which distinguishes western countries. If it is irrational that persons holding the same view on the problems of life and death or having the same mode of living should have greater sympathy with each other than with others, it is equally irrational that persons living on one side of a country frontier should have more fellow feeling for persons living on their side than for those living on the other, or that persons of the same profession should have more communion with each other than with others. Yet both forms of association are natural and within limits useful and necessary. Our business should be not to suppress them but to transcend them in the interests of a wider unity and reconcile them in a higher harmony. If the historic, social and religious group showed any signs of decadence, the problem of finding suitable representation for it would not arise at all. It may be allowed to die a natural death with perhaps a passing regret that a venerable institution which had weathered the storms of three thousand years was passing away. But everywhere in India it shows signs of abounding vitality. The most widely respected Indian of the day—Mr. Gandhi—wishes to purify it but nevertheless believes in it. Those who come to scoff remain to pray at this ancient idol. The Protestants whether white or black, Indian or foreign form simply new groups with thoughts, habits and modes of living which distinguish them sharply from others. Kabirpanthis, Nanakpanthis, Aryas and Brahmas have formed new castes or new religions and Indian Christians, Anglo-Indian and Europeans have followed the same path. You may scan the political horizon in vain for some sign of desire on the part of any community to put an end to its individual existence. Hindus, Mussalmans, Brahmins, non-Brahmins, Sunis, Shiahns, Europeans, Anglo-Indians—touchables and untouchables—all seem to be obsessed with the fact that they have separate rights. In addition to Hindus, Muslims and Christians, the non-Brahmins and the untouchables who feel a peculiar solace

in a negative designation are holding their all-India conferences. The Europeans at their recent Calcutta dinner expressed their fervent belief in communal representation. The Anglo-Indians, in spite of all enticements by Indians, still glory in or perhaps groan under a double classification which defies all laws of logic and common sense except perhaps those of social individuality.

With such a vigorous life, the social, religious and racial community cannot be ignored. The government has been constrained to give it representation in the Indian legislatures by the three different methods of nomination, reservation of seats and separate communal electorates. The first has been adopted for the depressed classes and some minorities, the second for the non-Brahmin majorities of Bombay and Madras and also to some extent for the powerful interests of land owning, planting, mining, education, industry and commerce, and the last for Europeans, Anglo-Indians, Sikhs, Christians and Mussalmans. The last five communities are generally represented in excess of their numbers. The legislatures thus appear to be bewildering mosaics of separate interests. This is perhaps the chief cause of the unsatisfactory outcome of the reforms. What should have been organs of a unified national life were at the very outset made representatives of every discordant and particularistic element which distracts the country. The legislatures reflected within themselves every principle of disunity with the result that no parties of principle could grow. Since the ministries depended upon these communal majorities, they also took a communal character and day to day administration was exposed to all the risks and dangers of communal favouritism. The responsibility for this state of things has been somewhat unjustly laid at the door of government. The authors of the Montague-Chelmsford Report foresaw and realised the dangers of communal dissensions and even tried to guard against them. They even pathetically trusted that their proposals of reform would prove to be the solvent of the difficulties of race and creed which they sincerely regretted. But they failed to see that their idea of representing every discordant interest in a single chamber without providing a centre of unity anywhere else would have just the opposite effect. The following passage from the Muddiman committee majority report is an instructive commentary on their foresight and wisdom:—"As practical

men we must, however, recognise that the inter-communal friction which has always been evident in India, but which has perhaps been more frequently so during the last few years, is not conducive to the success of responsible Government. It is more than possible that the view which has been indicated in some of the evidence produced before us that the introduction of the reform scheme has contributed to the growth of such friction is not without foundation."

It is to be remembered that the social and religious group like the territorial or economic or any other particularistic group, while deserving representation, requires to have its power limited in the interests of the supreme group, the state. The ideal thing to do is to give to the part what is due to the part and to give to the whole what is due to the whole. This truth seems to be lost sight of in the bitter controversy which is now raging over the question of communal representation. The Hindu Subha guided by Lala Lajpat Rai and Pandit Madan Mohan Malaviya would have, if possible, none of it as they think it endangers national unity. They cannot tolerate the idea that minorities should form a nation within a nation, an imperium within an empire, with their separate electorates, separate rights, separate privileges and separate and excessive representation in the legislative bodies and the public services which can only be obtained at the expense of the general community. The Mussalmans and Europeans on the other hand see in these things the only sheet anchor in an ocean of bigoted Hindu or Indian humanity. There is some truth in these conflicting views, but the standpoints are so partisan and exaggerated in character that they defeat the very ends they seek to promote. Extreme claims of heads I win and tails you lose serve only to excite alarm in the opposite party and encourage it to persist in its equally extreme view. It may rightly be said that the greatest enemy of the rights of the community is the modern Mussalman theory of community and the greatest enemy of the national unity is the Hindu theory of such unity. Mr. Shastri's solution of this problem by reservation of seats filled by mixed electorates, which has been adopted in Mrs. Besant's Commonwealth of India Bill, labours under the difficulty that it leaves a moderate Mussalman like Jinnah cold. It does not meet fully Mr. Mahomed Ali's objection that Muslims elected under the preponderant Hindu influence of such a method will be Muslim

in name only. Moreover communal representation still remains in essence to strangle the principle of unity in the single legislative chamber. The system having been tried in Madras and Bombay does not seem to have given satisfaction to any body. The device of barring legislation affecting a community if opposed by 3/4th of the representatives of that community which has also been embodied in the Commonwealth of India Bill is at the best a clumsy one, and at the worst, as pointed out by the Montague-Chelmsford Report in its criticism of the Congress League Schemes, dangerous and unpractical. Mahatma Gandhi's suggestion, that one community should efface itself before the other trusting to its good will, is not likely to commend itself to any body and is hardly a solution. The Swarajist remedy of a pact ignores the fact that a pact is not an organic union but leaves the high contracting parties much as they were—the sole partial judges of the fact whether the pact is being faithfully observed. The government is perhaps content to leave things as they are, trusting to its own power to supply the minimum unity needed in a warring country until the millenium dawns when caste and religion will have passed away. I see no sign of such a millenium approaching. Moreover the unity which a nation needs is not a unity superimposed from without, but one which inheres in its own nature and constitution embodied in an organic law. These suggestions to solve a problem of undoubted difficulty—how to reconcile the unity of the state with the separate rights of groups—are not insincere, are not merely attempts, as the Muddiman Committee suggested, to strengthen individual positions but well-meant efforts towards peace. Their inadequacy only indicates that political speculation has not come to serious grips with this question. They generally labour under the common defect of assuming that there would be only a single legislative chamber to represent the conflicting interests of group and nationality, of diversity, and unity of the part and the whole. They do not realise that separate interests might be represented but should at the same time be segregated. This will perhaps be best done by representing the communities as such in an upper chamber which may be called the chamber of communities, while the nation as a whole will be represented in the lower chamber which may be called the National Chamber, uncontaminated by communal and sectional influences.

As I have already advocated the creation of an upper chamber called the chamber of states to represent the separate interests of provincial and native administrations, this scheme of two upper chambers and one lower chamber will give us a tricameral legislature for the central government of India. I do not propose the creation of a fourth chamber of a vocational character to represent professions and occupations, as economic conflicts in India are not so acute as to justify us in making a complex constitution still more complicated. The Muddiman Committee felt the need of giving representation to factory workers, but for giving effect to it, it suggested no means except the undesirable method of nomination to the central and provincial popular chambers already honeycombed with divisions. It might, however, be possible to represent to some extent economic interests, within the limits of the social and religious group which will be represented in the chamber of communities. This will be specially easy in the case of the Hindu group in which the lower castes are really organised on vocational basis; though perhaps from another point of view it may be desirable to represent the social and religious principle in unalloyed purity in the chamber of communities and leave at present economic interests to take care of themselves as best they can.

In order to understand this novel constitution clearly, it is necessary to explain the main powers and functions of the three chambers a little more fully. I shall, however first answer a preliminary objection that I have ignored the council of state as it exists at present. I have done so because it is organised on different lines from those which I think essential. It is organised as an upper chamber of a unitary state, while I hold that in spite of its unitary form India has special federal elements like the province and the religious group which require special representation in two upper chambers. It also serves a special function in the present transitional constitution of India. It acts as a prop of Government against the onslaught of the assembly. I am, however, contemplating mere permanent features of the Indian constitution. The special Council of State was proposed to serve by means of an official majority the purpose of securing to the Government of India the affirmative power of legislation which was endangered by the establishment of a non-official majority in the Legislative Assembly. The normal

relation of inferiority of the upper house to the lower was in this case sought to be reversed as the Council of State was meant to be the organ of all crucial legislation for the whole of India. It is true the Joint Committee of the Lords and Commons tried to give it some of the formal attributes of an ordinary second chamber by giving it direct election and a non-official majority of six but this majority is so narrow and the franchise is so restricted and gives so much power to landholders, capitalists and high Government officials that it retains in substance the character which was originally proposed for it, i. e., an unfailing organ of essential government legislation. The original proposal of indirect election by the provincial legislatures would have perhaps made it more representative and dignified than it is at present. The attempt to give to the Council a senatorial character and endow it with the experience and dignity of a body of Elder Statesmen has not succeeded. Older men have generally deserted it for the younger chamber and now it forms a part of the constitution which enjoys least the confidence of the Indian public. With the coming in of absentee magnates and young Swarajists, it is bound to become a helpless replica of the Legislative Assembly. Like the Chamber of Princes it can serve no useful function in the future; therefore, both require in the end to be replaced by two upper chambers organised on federal lines.

The National Chamber in the scheme outlined above should preferably be a small and businesslike house, elected on the widest possible franchise at present and by universal suffrage in the ultimate future, under a suitable system of proportional representation so that every considerable class or interest may have a chance of securing some representation. It is to this house as representing the principle of unity in the nation that the ministry will be responsible and supreme financial powers entrusted. To some extent the latter may be shared with the Chamber of States but in no case with the Chamber of Communities. The ministers may be recruited from all the three Chambers. The electoral unit for this chamber should be neither the administration nor the communal group but the whole linguistic area irrespective of provincial or native states boundaries corresponding roughly to the existing congress division like Kerala, Andhra, Utkal, Maharashtra, etc. The National Chamber will thus truly be a chamber of national unity representing the

peoples of India. It is necessary that it should be small, as unwieldy chambers are emotional, ignorant and impractical and contain unequal elements of talent knowledge and business capacity. In India specially, distances are long and they make central legislative work a whole time job, and it is unlikely that we shall have first-rate talent to staff all the legislature in the country, if their numbers are large. In no case the number should exceed the present number of elected members of the Legislative Assembly—about 104—which will give us one seat for 3 millions of population. Presuming that the Hindi-speaking area will have to be sub-divided in any case, Bengal will be the largest electoral area under this scheme and will return 16 members. This number, while providing fair opportunities for minorities, is by no means excessive and will eliminate every one who is not known to and does not command the confidence of the whole province. Should the Mussalmans strangely feel that their interests are being neglected, they should by suitable organisation be able to capture 9 of these seats. It might be advisable to have a few seats in the National Chamber reserved for special interests like university education and European Commerce which cannot be provided for elsewhere; but their number should be so small as not to affect the principle that the National Chamber is primarily meant to be an organ of unity.

This digression will help us to understand the relation of the National Chamber to the two upper chambers. It will act as a lower chamber in relation to these chambers which will divide between them the vast portion of the field which is generally covered by a single second chamber in other countries. Over this divided field they will be mutually exclusive, so that each will deal only with the lower chamber in respect of the sphere which has been assigned to it. This will ensure a certain simplicity of working in the complicated mechanism. There will be a common field which for the purpose of smooth working should be narrowed as much as possible in which all the three chambers will be interested and in which all ought to have a voice. Questions of peace, war, recruitment to the public service, constitutional arrangements are some instances of such common matters. The special functions assigned to the Chamber of Communities for which it will exclusively act as an upper chamber in relation to the National Chamber will have to be carefully defined and would

in the interests of the nation, have to be narrowed to the minimum necessary for securing the good will and cordial co-operation of the communities. They will certainly include all questions of religious rites and usage, religious endowments, amendments of special laws governing different communities such as the Hindu and the Muhammadan laws of succession and other cognate matters which have a tendency to disturb communal peace. The Chamber of Communities will exercise an absolute veto over the National Chamber in such matters, but before any community calls upon it to do so, it will have to satisfy other communities in the house that its request is reasonable and is not being preferred only for obstructive and factious purposes. In short the chamber will perform continuously authoritatively from year to year the functions of the Unity Conference of Delhi which reached some striking agreements which unfortunately it has no power to enforce. The Muslim group will perhaps be the most powerful group in the chamber, as, though it will be divided into Shiah, Sunnis, Kadiamis, Sayads, Shaikhs, Julahas, agriculturists, etc., it will be much more homogeneous than the Hindu group in which the social, economic and religious sub-divisions are deeper and more fundamental. Untouchables like the Chamars, Mehtars might under certain circumstances be induced to go against the class Hindus while dissenting religions may play the same role against the orthodox. Thus no reasonable minority need have any fear against the so-called Hindu majority. Moreover minorities like Jains, Sikhs, Parsis, Jews, Christians, etc., can always combine together in the face of a common danger. Generally speaking, the influence of a community will not depend upon numbers but will be proportioned to the reasonable use it makes of its power. Abuse will instantly unite the other elements against it. Judged from this point of view, I expect Christians, Parsis, Jews and Brahmos will, in spite of their numerical insignificance, exercise the greatest influence as they actually did at the Unity Conference. The prestige of the chamber will depend entirely upon the use it makes of its special position in the constitution. It will, therefore, be necessary to arrange its composition with the greatest care. The members should be elected in proportion to population, except in the case of some small but important communities like Jews, Parsis, Brahmos, etc., on an indirect basis by separate communal electorates consisting of the members of each community

in provincial chambers of communities. These provincial chambers will not have the status of upper chambers as the Imperial Chamber but will have united though similar functions. They might be committees of communities. They shall have the right of consultation and vote over the Legislative Council in certain specified communal matters. It will not be desirable, on grounds pointed out by the Montague-Chelmsford Report, to hamper the progress of the provinces by instituting, at least for the present, upper chambers on a communal, territorial or a plutocratic basis. It is no use devising brakes for hasty progress which does not seem to exist. Moreover, in India, unlike strictly unitary countries, there is the central government to check haste and safeguard separate interests. There might, however, be a case for upper chambers of communities of the type outlined for the central government, should the provincial autonomy given to provinces be very large ; but in that case the provincial legislative council will have to act a unicameral legislature for non-communal subjects since the problem of a territorial upper chamber does not arise in the provinces. These provincial communal chambers or committees should be elected by separate communal electorates with some property and education franchise in order to prevent the ignorant and fanatical elements from swamping the enlightened elements which exist in every community. The Imperial Chamber of communities will no doubt function through a standing committee of each community so as to give it a measure of autonomy in matters in which other communities are not interested.

The Chamber of the States as the normal federal chamber of the type existing in western countries should be the residual legatee of the functions of the second chamber after the demands of the Chamber of communities both those peculiar to it and those which it will share with the other upper chamber have been met. It ought to be much smaller than the National Chamber but the difficulty of representing minorities from so many administrations by proportional representation or even by reservation of seats becomes greater as the number of seats is smaller. A larger house than that required by strict theory may thus be necessary, but in no case should the number exceed that in the National Chamber nor should it go below sixty, the present total strength of the Council of State. Its functions will be extremely important as it will be the normal

Upper Chamber of the Indian Legislature. It will still be necessary even if the native states do not join in the scheme as proposed above for the differences between the British Provinces are wide enough to justify their separate representation in a federal second chamber. It will be noticed that I have rejected the principle of nomination for all the chambers because I think it is liable to abuse. It is, however, an important means of securing the interests of very small minorities or the services of eminent persons who dislike election. Should this power be retained during the transitional period, it might be exercised with the aid and advice of an Indian Privy Council constructed on the lines laid down in the Montague-Chelmsford Report. In any case this power should be exercised within the narrowest possible limits.

Having outlined the scheme of a tricameral legislature for India, it now remains to consider the objections which may be levelled against it. The novel feature of the scheme is the chamber of communities which is really a device for solving the pressing communal problem of India in so far as it affects the organisation of supreme political power in the country. It may be a questionable idea to provide representation to the communal group against the theory and experience of the West, but the East is not West and it must solve its special problems in a special way. The authors of the Montague-Chelmsford Report strenuously argued against Communal representation as being opposed to the teaching of history, perpetuating class division and stereotyping existing relations. And yet they conceded it and even extended it. Unfortunately when they conceded separate electorates they did not arrange to minimise their mischief. They allowed their baleful influence to range over the whole field of national legislation, while the situation demanded their application only to those matters which were the subject of communal disputes. The result was that progress came to a stand still. This could not but happen in a unicameral legislature. The second chamber idea, however, I submit, gets rid of the difficulty in a better manner. It enables the parties to combine for many purposes but at the same time remain separate for a few. I have, therefore, proposed the creation of a chamber of communities side by side with a true federal chamber of the territorial type. Mr. Mahomed Ali in the concluding portion of his presidential speech at the

Coconada Congress, described India as a federation of faiths. He, however, gave no indication as to how his conception was to be realised on the political plane. As far as I am aware, he still sticks to the clumsy device of communal electorates for a single chamber which practically splits India into two nations. I submit that the federal communal chamber realises his idea of a federation of faiths. Communal representation in separate electorates has done great harm. It has had the effect of compelling the Hindu Sabha to think of running its own candidates. Communal elections tend to be fought on the irrelevant issue whether you are a practising Hindu or Muhammadan, whether you observe Pardah or not, or whether your beard or caste-mark is long or short. It has prevented the growth of any adequate centre of unity in the country.

It might be urged that under the tricameral system the constitution becomes complicated. By dividing the field clearly between the chamber of states and the chamber of communities I have tried to minimise the friction so that at any one time the National Chamber will have mostly to reckon with a single upper chamber. I have already said that complex problems must needs have complicated solutions. Simplicity cannot always be obtained without sacrificing efficiency. Yet there is an incidental advantage in balancing one upper chamber against another. In balancing one principle of division against another, the resultant advantage is the same as obtained by linking one drunken man with another. There is less chance of erratic movement. In the same way in our case there is a sensible diminution of disunity.

Finally it will be argued that my proposal of a three-chambered legislature is singular, unprecedented and unknown to Western countries. But India with its castes, creeds, races and languages is unique. So are its problems of religion and untouchability. So much so that many observers including experienced administrators have doubted whether western political institutions are really suited to India and whether it will not do well to have something indigenous and native to it which it can understand. Both Lord Birkenhead and Lord Reading echoed this doubt, and invited India to put forward a scheme which will be suited to its genius and temperament.

No response came and when Motilal Nehru tabled his amendment to the reform motion of Muddiman, the latter welcomed it as an indication that India wanted political institutions on the western model. That is not, however, so. It really wants western institutions with eastern modifications. In a sense the problems of Government throughout the world are the same and require similar institutions to deal with them. In another sense they are different in each country and this difference points to the need of suitable modification. India cannot afford to ignore the blessings of ordered freedom which English parliamentary institutions undoubtedly confer, and she cannot fail to utilise for her own use the most striking contribution which the west has made to world civilisation. Nevertheless she must use these institutions with modifications necessitated by her environment, her peculiar social organisation, her history and the stage of her growth. I submit the special representation of the social and religious group, in however limited and restricted a sense, is one such necessary modification, that this will be best secured by the novel expedient of instituting a second upper chamber. This will make her constitution somewhat unique, but India is unique and enjoys the honour of resembling none.

CAUSES OF THE COMPARATIVE INADEQUATE DEVELOPMENT OF THE NON-CREDIT SOCIETIES IN MADRAS PRESIDENCY.

A SPEECH DELIVERED

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The law to stimulate the expansion of non-credit societies was passed only in 1912, on the satisfactory evidence afforded by the successful working of the credit aspect for eight years. From the very nature of the activities of the non-credit branch, their development and success should depend, more than in the case of the credit branch, on the popular enthusiasm, propaganda and support. Indeed the Triplicane Urban Co-operative society which came into existence even before the Act of 1904 was passed has given the un rebuttable proof that the firm establishment of such non-credit societies can be achieved best by non-official efforts.

The Agricultural and Industrial societies at Kallakurichi Shiyali Tindivanam also came into existence mainly on the non-official initiation. As far as practicable, the help and advise of the Agricultural and Industrial Departments have been secured by the Co-operative official staff to these societies and they are feeling their way towards success. The failure of the several stores started in the mofusil parts during the period of control on export of food stuffs, while the Triplicane Urban Co-operative society is such a grand success, is perhaps due to their having been initiated by the official agency. This affords a good contrast to the credit side which owes its success in this Presidency to (or as some might perhaps say in spite of) the official initiation, supervision and control. Further, the development of such non-credit work cannot be so well undertaken as of the credit side by the Government staff since its hands are too full of credit work, which has developed far beyond the capacity of its strength. Again the existing staff, having been drafted mainly of the quality which will be

suitable only for credit work, fought shy of the non-credit side of the movement. More than all these, a net work of societies situated close to each other and affiliated to suitable and efficient supervising Unions and Central Banks appears to be an unavoidably necessary preliminary before any agricultural non-credit activities can be initiated on a large scale either by the official or the non-official agency. This view has already been indicated by the Maclagon's committee in their admirable report. The main reason for the need of such a preliminary development of credit side, is, that facilities, for ready and ampler credit, close and frequent supervision, are absolutely necessary for the expansion of agricultural non-credit activities. A cluster of societies is also essentially necessary to afford the bulk and the large quantity for quick turnover. Bigger landlords, who can easily contribute such bulk have been keeping apart, because the activities of the movement have been confined mainly to credit and they were not either in need of the credit facilities or because the limited amount of credit which can be secured by the agricultural credit societies would not satisfy their needs. These big landlords have to be educated by propagandist work and brought into the movement for the non-credit benefits of wholesale and production without allowing any chance of their credit needs interfering with the credit facilities now afforded to and enjoyed by small landlords, tenants, labourers. Propagandist work amongst such big landlords can only be undertaken by non-officials effectively. But it is found difficult for want of adequate funds, even to start such a propaganda, though there are non-official enthusiasts who can well undertake the task successfully. These circumstances drive to the conclusion that it is the Government and Government alone that has to stimulate the starting of *even such non-credit societies*.

The Madras Government has already recognised this fact. Recently, the whole staff has been re-organised in order to relieve a few senior officers of the Department of their routine duties, so that they may devote more time for the development of the non-credit side. After the introduction of the re-organisation scheme, several proposals for Government aid have been made. The first of them is that a small additional staff of a higher quality specially suited for the non-credit work should be added. The second is that

a subsidy to such non-official bodies which undertake propagandist work in the further development of the movement should be granted. The third, and nonetheless important, is that direct sub-ventions should be granted to the first few non-credit societies that have to be started for experimental and demonstration purposes. The sub-vention to these societies will have to be in the shape of free grants, cheap and long-term loans and participation of Government in their interests by investment of share capital and lending officers either free of cost or lent on foreign service. Granaries for wholesale societies, installation of pumps for irrigation societies and factories for productive societies are such as deserve such initial help. With such aid and equipment there appears to be a very good prospect of the speedy expansion of the development of the non-credit activities in this Presidency. The non-official agency (not merely isolated individuals but specially organised bodies such as local unions, their Federations, Confederations and their Provincial Federation) should speedily develop all over the country and undertake brisk propaganda of the movement with their own experts and paid staff to work side by side with the official staff. When this is done, there is sure to be tangible achievement in the non-credit side as well. It will reflect on the credit side which will automatically expand in consequence. Such mutual reflection will be to the advantage both of credit and non-credit development, bringing prosperity to all concerned.

DISCUSSIONS.

Prof. H. L. Kaji's reply:—

Several speakers have objected to the necessity of legislation for the collection of statistical data on the ground that such legislation would be ineffective for the purpose and if strictly enforced, would rouse opposition as the investigation would involve questions about the wealth, expenditure, income and indebtedness, which are likely to be resented to by the people. It is obvious, however, that if information has to be collected on certain points, tact on the part of investigators coupled with the knowledge that there are powers under the law compelling answers would enable better information than otherwise. I wonder what possible objection can there be for legislation on this subject if we are agreed that certain statistical information is essential for an economic survey of the country. Some speakers have asked that if the subordinate revenue agency at present employed in the collection of agricultural statistics did not furnish reliable data, what was the use of still relying on the same agency any further, and that if that agency were to be substituted by another, the expenditure would not be 5 millions but 5 crores. But as I pointed out, the subordinate revenue agency does not furnish reliable statistics mainly because the superior officers who guide and control these are indifferent and are not interested in the figures of area, etc., that are collected. The remedy lies clearly in entrusting this work to the agricultural department which is certainly keenly interested in the work ; or it is also possible to keep up the present agency but place it under the Divisional Statistical assistants and district investigators who would see that the figures are properly collected. But after all these are questions of detail. What matters is whether we are agreed that for carrying on an economic enquiry. India should have Central and Provincial Statistical Bureaux and whether the cost would be prohibitive. No one seems to have made out a case against the creation of such bureaux and no one seems to have argued that about 50 lacs per annum is too heavy a recurring charge on the revenues

of India as a whole. It is for these Bureaux and Boards of Economic Enquiry to go into questions pertaining to each group of statistical data and to determine, with reference to the conditions of each province, what type of organisation would be best for each.

Prof. Gyan Chand's reply to Prof. Kaji's remarks :—

The position taken by Prof. Kaji appears to me somewhat anomalous. He, on one hand, is very hard on the poor revenue officials, on whom we now have to depend for our statistics regarding the crops and other agricultural conditions, and advocates the employment of more competent agency for the collection of the required information ; on the other hand he seems to be in favour of a very extensive enquiry into the economic conditions of the people, and endorses the estimate of the Economic Enquiry Committee that such an enquiry, if undertaken, would cost about Rs. 50 lacs. That the present agency is ill-qualified for the work of the economic enquiry, that it proposed to institute, is a proposition with regard to which there can be very little difference of opinion. But if a well-qualified and highly trained staff is to be employed for the purpose, the cost of enquiry can easily be put at ten times the amount stated by Prof. Kaji. Then Prof. Kaji points out the inquisitorial character of such an enquiry, and refers to the bitter resentment that it will cause if it is undertaken on a wide scale ; and in spite of having such misgivings about the effect of an organised investigation into the economic life of the people, he regrets that there should be the slightest hesitation on the part of the Government to fall in with the views of the majority of the Economic Enquiry Committee. The fact of the matter is that an economic enquiry to be really of any use must be fairly dependable as regards its accuracy and scientific value, and is, on that account, bound to be prolonged and expensive. Those who have any idea of the practical difficulties of conducting such an enquiry will be readily inclined to temper their enthusiasm for it by the considerations of expense and its problematical value if it is carried on under unsatisfactory conditions. An enquiry into the economic conditions of the people is, if properly conducted, certainly desirable, and has a demographic value ; but taking everything into account, intensive enquiries

in India, carried on in well-selected areas by well-qualified investigators, are likely to yield better results than the undertaking of ambitious schemes which are sure to defeat their own purpose on account of the various difficulties that are a matter of common knowledge.

Prof. Gyan Chand's remarks on Prof. Myles' Paper:—

Prof. Myles has very rightly pointed out the confusion of ideas which characterises the popular discussion of the problems connected with the water-rates. Water-rates cannot be classed as taxation as the Government renders specific services in return for their payment. But Prof. Myles will agree that it is possible to introduce an element of taxation in the imposition of water-rates by raising them to an unduly high pitch; and the fact that in a number of provinces water-rates and land revenue are lumped together makes it very difficult for any one to make a definite statement regarding their essential character. The view expressed by a number of irrigation officers before the Taxation Committee that the Government is not charging a fair commercial price for the supply of water may be correct; but it is also possible to hold the other view that the water-rates are in a number of cases unnecessarily heavy inasmuch as it is not possible to ascertain with any degree of precision the amount that can be rightly credited to irrigation out of the total land-revenue receipts. But the more important part of his paper, which deserves careful attention, is that in which he enunciates the principle which ought to be kept in view in drawing up the water-rate schedules. The principle laid down by him, viz., that the Government should charge according to the increment in the value of crops due to the provision of the irrigation facilities, will, I am afraid, not be practicable in a number of cases in which almost the entire value of land is attributable to the supply of water by the Irrigation Department. The fields in Sindh and Bikaner, which are almost lying barren now, but which are bound to acquire very high value when the irrigation works, now under construction, are completed, will have to pay very heavy water-rates if the principle of increment value is acted upon. It will practically mean that the whole value of the produce of these lands minus the amount necessary for making it worth while for the cultivator to bring them

under plough will have to be appropriated by the Government a result which is so very obviously undesirable that it is not necessary to say more about it. It is not possible to define 'commercial price' in connection with the water-rates. Probably the only guiding principle, which can be formulated for the purpose, is that generally speaking the Government should charge what the traffic can bear, but in actual practice moderate its demand when this leads to levy of rates higher than those that are sufficient for defraying the working expenses and making some provision for the reserves. Irrigation, it need not be emphasized, is a public utility of vital importance, and the Government in rendering this service cannot possibly take a purely commercial view of the matter. It is not possible to construct canals and reservoirs and pay for their maintenance out of the annual public revenues, but having made adequate provision of interest charges and their working expenses, etc., it should leave surplus, if any, to the cultivators to make it possible for them to raise their standard of living and discharge their civic responsibilities. The Government will derive indirect fiscal benefit from the consequent increase of the taxable capacity of the people resulting from the enlargement of their resources and greater economic security.

Prof. Gyan Chand's remarks on Papers on Rural Economics :—

The problem of rural reconstruction is so big, and so many diverse issues have been raised to-day that I, in order to avoid confusion, think it desirable to confine my observations to some general aspects of the problem, which appear to me to be worthy of serious consideration. The Indian cultivator needs, more than anything else, the leadership of the right kind. So many things have to be done, but cannot be done on account of the paralysing inertia of our people. It is not necessary for me to discuss the causes of this highly unsatisfactory state of things. The fact is that the necessary driving power is lacking, and cannot be created unless the educated classes, who have so far woefully neglected the rural problems, learn to take a more positive and practical interest in the premier industry of the country. It is impossible to solve the difficult problems of our village life unless the drain of ability and intelligence

from the villages, which, as is well known, is going at a very rapid rate, can be appreciably reduced. The evil of absenteeism is growing in the Northern provinces, and is giving rise to serious abuses. Something must be done to check its growth, otherwise our rural life will become even more stagnant than it is now, though such a development seems hardly conceivable. The seriousness of our population problem is generally under-rated, but there is no hope of achieving any measure of rural progress unless we can improve matters in this respect by reducing the high birth rate. It is time that we should take some practical steps to relieve the pressure of population. The development of our industries has of course to be proceeded with, but—and I hope that in saying this I will not hurt the susceptibilities of any one here—the adoption of even unorthodox methods of birth-control can in all seriousness be advocated to remedy the existing evils. The chronic under-employment of our agricultural classess is generally admitted. The spinning wheel may be introduced as a tentative measure, but we must look to the development of other subsidiary industries for finding work for our agricultural classes throughout the year. The jam-making, poultry farming, and various other subsidiary industries can be developed and ought to be fostered. A very interesting suggestion, which appears to me to merit very careful consideration, has been made. It is possible to plant some factories in some of our very thickly-populated districts, and can, by shift system, be made to work successfully without dislocating the economic life of the villages. We will, thereby, avoid a number of difficulties, and make some of our bigger industries subsidiary industries for our rural areas. Our cultivators have the skill and intelligence, but their outlook is so very limited that it is necessary to mobilise all their reserve powers, and give them the right lead without which they are not likely to make any headway against the difficulties which are growing more serious every day.

Prof. Gyan Chand's remarks on Prof. Bhateja's Paper:—

In view of the magnitude and importance of our communal problem every one who makes an earnest attempt to offer a contribution for its solution is entitled to our thanks, and in so far as Prof. Bhateja's paper is such an attempt, we owe him our thanks for it. But may I take the liberty of pointing out that in his anxiety to ease

the communal tension, he has left the problem of Second Chambers, which is the subject for to-day's discussion, severely alone. The two main reasons, which are generally given for providing for the Second Chambers in the political constitutions, are the need of having a safeguard against democratic haste and that of creating a reservoir of exceptional ability and experience—the needs the reality of which cannot be denied, but about which Prof. Bhateja has nothing to say in his paper. He takes it for granted that the Second Chamber problem admits of very easy solution, and on this assumption proceeds to put forward his solution of our communal problem. That the assumption is rather bold and presumes a bit too much will be readily admitted. But even if we leave that aspect of the matter out of account, it appears that Prof. Bhateja's Third Chamber is, as a solution of our communal difficulties, a remedy of very doubtful value. His object in putting forward such a proposal is to segregate all communal questions for the considerations of the Third Chamber, but he does not suggest how he will protect the other two chambers from being affected by communal virus. The fact that they also will be composed of the members of both the communities who will be responsible to their respective constituencies will make it impossible for the national standpoint to secure a precedence over the communal standpoint if the general mentality of our people remained what it is. What is the guarantee that the other two chambers will not become the battle-field of communal interests and prejudices if the members continue to think in terms of their communities and not that of the nation. Then the definition of the Communal Questions will offer insuperable difficulties. What is a communal issue? In the prevailing atmosphere of mutual distrust every question, however trivial and insignificant in itself, can become a communal question. The other day in the Bombay Council a bill introduced for doing away with polygamy among the Hindus generated communal heat and the Mohamedans *en-bloc* took a hostile attitude towards it. It is impossible to segregate communal differences when they are so intimately interwoven with our whole national life. Another assumption on which he bases his proposal is the impossibility of the Hindus ever acting as a compact well-organised body. The weakness of the Hindus, on account of their internal dissensions, is an admitted fact of the present situation, but a constitutional device which takes it to be an abiding

feature of our national life, will, on that account, be unacceptable to the Hindus as a community. The fact must be faced that Prof. Bhateja's proposals and other proposals of the same kind do not go to the root of the matter. They are superficial inasmuch as they do not provide for the widening of the mental horizon of the various communities. Our difficulties will continue and bar the way to our political freedom so long as the communal divisions, instead of becoming the distinctions that enrich, remain differences that separate.

NOTE.

An attempt was again made this year to make the "January" issue the "Conference Number" of the Journal. It was felt that it would be useful, as well as, interesting to bring out the Conference Number soon after the Conference itself had met. We anticipated no serious difficulty in accomplishing this. But it appears that elsewhere as here the teachers and professors of Economics are doing more than their due share of work, so that any extra work in the shape of writing out Reports of Economic Conferences, Discussions on Papers read there, or the writing out of Presidential Addresses cannot simply be done except after the passage of days, weeks, and even months, and then even some of the "goods" are not delivered! Due to this sad and somewhat disappointing experience of ours we have decided not to entertain any such hopes in the future, and have resolved to reserve the "April" issue of the Journal as the Conference Number of the Journal.

We regret to state that owing to his heavy burden of duties and responsibilities, and the arduous work that entailed upon him in preparing and submitting several weighty memoranda to various "Commissions", it has not been possible for our learned and respected President, Professor C. J. Hamilton to send in his Presidential Address. We hope, however, that he may yet find leisure to complete it in writing, and that we may have the privilege of printing it in some future issue of the Journal.

We also regret that we are unable to print Professor K. B. Madhava's Paper on "Pareto's Law and its application to Mysore Income-Tax Assessments", as we could not secure the original manuscript, neither the charts that he refers to in his paper and the matter as printed for the Conference at Madras does not appear to us to be quite accurate in as much as there appears to be some confusion of mathematical symbols in the printing of it. We are, therefore, referring back the printed paper to the writer, and hope to be able to bring it out in a later issue of the Journal.

MG. EDITOR.

INDIAN JOURNAL OF ECONOMICS

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EIGHTY YEARS OF PUNJAB FOOD PRICES, 1841—1920.

BY

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I am compelled to begin this paper on Punjab Food Prices with a discussion of the extent of the general rise of prices in India as compared with that in other countries before the war. In his paper on Punjab Food Prices, 1861—1920, which appeared in the Indian Journal of Economics for July 1925, Prof. Myles has criticised my Essay entitled "A General View of Indian Prices" which, along with other essays, was published in book form in 1922. In that Essay I had tried to show that, before the war, prices were rising more rapidly in India than in other countries.

Prof. Myles's criticism may be summarized as follows :—

1. The year 1894 has been taken as the base for determining the extent of the rise of prices in India. The base is unsuitable.

2. The index numbers showing the rise of prices given by Datta in his *Enquiry into the Rise of Prices in India*, Vol. I, p. 48 (average prices in the quinquennium 1890—94 being the base) have been reduced to the base year 1894 by expressing them as a percentage of the price in 1894. "This procedure is not altogether justifiable from the statistical standpoint."¹

3. I have given two sets of index numbers of Indian prices in my book, and have compared both with Sauerbeck's index numbers for the United Kingdom. It is "natural to assume that things which are comparable with the same thing are comparable with one another."² When my second index number is reduced to the base

(1) Footnote (5), P. 9.

(2) P. 9.

1894, and compared with the index numbers of prices in other countries "the rise of prices in India, far from being 'greater than in any other country of the world', is actually found to be less than in any of the other countries selected for purposes of comparison."¹

I will examine these charges *seriatim*.

1. I have given two tables of index numbers on pp. 41 and 42 of my book. In Table I on p. 41, which Prof. Myles ignores, I took the year 1895 as the base year for all countries whose prices were compared. In Table II on p. 42, I took the year 1896 as the base for the United Kingdom, Germany, France and the United States, and the year 1894 as the base for India.

Why did I take a single year as the basis of comparison ?

It is necessary to explain here briefly how the Essay came to be written.

The first edition of my *Essays on Indian Economic Problems* was published in 1919. It contained an Essay entitled "Examination of the Report of the Rise of Prices", in which, accepting the conclusion of the Prices Enquiry Committee that prices before the war were rising more rapidly in India than in any other country of the world, I attempted to explain that the rapid rise of prices in India after 1905 was probably due to the inflation of the rupee currency. It is well known that the Prices Enquiry Committee took average prices in the quinquennium 1890—94 as the basis of comparison. I had quoted the index numbers of the Prices Enquiry Committee in my Essay. My book was reviewed in the *Economic Journal*, London, and the reviewer took exception to the period 1890—94 as the base, as European prices were not lowest in that quinquennium. European prices were lowest in the year 1896. Well, if in order to find the full extent of the rise in European prices before the war you take the year 1896 as the base for European countries, you must take the year 1894 as the base for India, for Indian prices were lowest in that year. That is what I did when I re-wrote my Essay for a foreign journal.² The year 1896 cannot be taken as the base for India, for as I stated in my Essay,

(1) P. 11.

(2) My Essay appeared under the title "Die Preisgestaltung in Indien" in *Weltwirtschaftliches Archiv*, Kiel, Band 17, pp. 226—248*.

on account of the famine of 1896-97, Indian prices were abnormal in that year. But at the same time I gave another table of index numbers in which a common base was taken for all countries, *viz.*, the year 1895.¹

I could have, of course, reproduced in my Essay, published in 1922, the whole set of Datta's index numbers of prices with the quinquennium 1890-94 as base. But I had given them in the first edition of the Essays, and I took it for granted that they were generally known.

In any case it deserves to be emphasized that whether we take a single year as the base or a quinquennium, the rise of prices in India is found to be greater than in other countries. On page 50 of the Prices Report the rise of prices in India and other countries in 1907-11 is compared with 1890-94 and 1894-98 (the lowest level of prices in all the countries compared, with the exception of India, was reached in the quinquennium 1894-98). I reproduce the figures below :—

	Compared with 1890-94	Compared with 1894-98
India	40	40
Belgium	25	26
Germany	24	38
United States of America	20	38
Canada	19	31
Italy	14	24
Australia	13	20
France	12	26
United Kingdom	9	21
New Zealand	1	9

Prof. Myles would, perhaps, insist that a ten-year period, with a famine in it, should be taken as the basis of comparison. But the reasons against a ten year basic period, which appeared to the Prices Enquiry Committee to be conclusive, were also decisive for me. Mr. Datta says :

“The basic period selected for the enquiry is the quinquennium

(1) ‘If the year 1895 is taken as the base for all countries, the rise of prices in 1911 is found to be as follows : India 156, United Kingdom 130, France 137, Germany, 152, United States of America, 141.

1890—94. This is a typical or normal period unaffected by such circumstances as famine and unseasonal rainfall. It was impossible to find, during the period under investigation, any consecutive ten years some portion of which was not seriously affected by exceptional circumstances. It was, therefore, not practicable to select, as the Committee of the British Association recommended, a ten year basic period.”¹

Prof. Myles does not seem to accept the view that Indian prices before the war rose to a greater extent than prices in other countries. So far as I know he has not published any figures which upset my conclusion.

2. Prof. Myles objects to my reducing Datta's index numbers to the base 1894 by expressing them as percentages of the price in 1894. What I have done is this. Datta's index number of whole-sale prices in India (gold) stood at 85 in 1894 and 147 in 1912. If 85 is taken as 100, the index number for 1912 becomes 173, which figure I set down in my table (base 1894) against 1912. Prof. Myles tells us that “this procedure is not altogether justifiable from the statistical standpoint”.

All that I have to say about the matter is that if my procedure is “not altogether justifiable from the statistical standpoint”, then some of the leading economists of America and Germany, a leading English journal devoted to statistics, and the Statistical Department of the Government of India do not know what is justifiable and what is not altogether justifiable from the statistical standpoint.*

(1) Prices Report, p. 14.

* Irving Fisher, perhaps the greatest authority on index numbers, in his book *The Making of Index Numbers*, says :

“ Sometimes it is convenient to make some other year than the base 100 per cent. Thus we might wish to translate the above series (100'00, 96'32, 123'68, 175'79, 186'70, all calculated on 1913 as a base) into proportional numbers with 100 in place of 186'70 for 1918. The series then becomes 53'56, 51'59, 52'51, 66'25, 94'16, 100'00.

“ But this replacement of the awkward number 186'70 in 1918 by the more convenient number 100, and the proportionate reduction of the original 100 in 1913 to 53'56, does not really change the base from 1913 to 1918. 1913 is still the base, but the base number is changed from 100 to 53'56; for the base number is the number common to all the commodities. Evidently to change an index number for 1918 from 186'70 to 100 does not make each separate commodity 100. The commodities having before had 36 different numbers, the average of which was 186'70, will now have 36 different numbers, the average of which is 100. On the other hand, 1913, which before had every commodity 100, will now have every commodity 53'56; therefore 1913 is still the base. Thus we must sometimes

I draw Prof. Myles's particular attention to a footnote on p. 17 of *Index Numbers of Indian Prices*, 1919, (published by the Statistical Department of the Government of India). As will appear later Prof. Myles has probably never seen these index numbers. On the page indicated gold prices in India and foreign countries from 1890 to 1918 are compared with the level of prices prevailing in each country in the quinquennium 1890-94. To do this it was first necessary to reduce the index numbers of Indian prices on the basis of 1873 to the basic period 1890-94. How was this done? The index number in 1900 on the basis of 1873 was 116. This was multiplied by 100 and then divided by 101.4, the average of the five years' index numbers, 1890-94. 114 was thus obtained, which was the index number of silver prices for the year 1900, the average for 1890-94 being taken as 100.

The Prices Enquiry Committee of 1910 reduced the prices of other countries to the base 1890-94 in the same way. Mr. Datta says :

" It has also been necessary to compare the general rise of prices in various countries, by means of index numbers published by the statistical offices of the United Kingdom, Belgium, France, Germany, Italy, Canada, United States, Australia and New Zealand.

distinguish between the true base year and the year for which the index number is taken as 100. *After a series of index numbers has been computed it is very easy to reduce or magnify all the figures in proportion, or to make any year 100 which we choose (pp. 17-18; italics mine).*

That this method is very commonly employed may be shown by a few examples.

Dr. Rudolf Meerwarth, whose name as a writer on statistics is well known in Germany, in his book *Einleitung in die Wirtschaftsstatistik*, (Jena, 1920) on p. 249, first quotes the index numbers of the Economist, base 1845-50, and then reduces them to the base 1871, by taking the index numbers for 1871 as 100.

Dr. Karl M. Obenaus in his interesting book *Die Italienischen Wechselkurse Während der Jahre 1914-1919* (Wurzen, 1922) on p. 33, quotes the index numbers Italy, England, France and the United States, and then reduces them to the base 1914 by taking the index number for 1914 in each case as 100.

The *Statist* is guilty of the same practice. It publishes international wholesale index numbers of prices every month. First the published index numbers of prices of various countries are given, and then they are reduced to the base 1913 by taking the index numbers for that year as 100. The index numbers of Italy, extracted from the *Statist* of December 12, 1925, are reproduced below :—

WHOLESALE PRICES—ITALY.

Published Index Numbers	Expressed as Percentage of 1913
1913 126.0	100
1920 786.7	624.3
1921 727.6	677.5
1922 708.5	562.3
1923 724.1	574.6
1924 737.1	585

They have all been reduced to a base of 1890—94, *the average index numbers for which have been taken as 100.*"¹

I would also like to ask how Prof. Myles would proceed if, in comparing the rise of prices in India with that in other countries from 1890 to 1912, he had to change the base of the index numbers. Does he possess information about the actual prices of the commodities which enter into the index numbers of different countries from 1890 to 1912?

3. Table VIII, given by Prof. Myles on p. 10 of his paper is reproduced below :

(1) Italics mine, Prices Report, p. 15.

INDEX NUMBERS SHOWING THE RISE OF PRICES

Table VIII given by Prof. Myles on p. 10 of his paper. (*Indian Journal of Economics*, Vol. VI, pt. I.)

Year	United Kingdom (Sauerbeck).	France	Germany	U. S. A.	India	The Writer's second index number of prices in India.	The figures in the previous col. reduced to a percentage of their price in 1894.
1	2	3	4	5	6	7	8
1894	..	..	..	..	1894	102	100
1895	..	..	..	..	=	104	102
1896	100	100	100	100	100	110	108
1897	101	102	103	99	141	113	111
1898	104	107	109	104	128	96	94
1899	111	116	114	112	127	96	94
1900	122	125	122	122	148	116	114
1901	115	118	117	120	141	110	108
1902	113	115	114	125	135	105	103
1903	113	118	121	126	130	99	97
1904	115	116	122	125	129	101	99
1905	118	118	125	128	141	110	108
1906	126	129	136	135	158	129	127
1907	131	136	146	144	162	137	134
1908	119	124	132	135	173	138	135
1909	121	126	137	140	162	124	122
1910	128	132	141	146	161	122	120
1911	131	141	154	142	164	129	127
1912	138	..	..	151	173	137	134

Mr. Datta's index numbers of wholesale prices (gold) have been reduced to the base 1894 in column 6. It will be seen that according to the figures given in column 6, prices in India in 1911 had risen to a greater extent than in any other country mentioned in the table.

In column 7, Prof. Myles has reproduced the second set of index numbers given by me on p. 52 of my book, and in column 8 he has reduced these index numbers (base 1873) to the base 1894. When figures in column 8 are compared with those in columns 2-5, the rise of prices in India is found to be less than in any of the other countries.

What is my second index number of Indian prices which, as is seen, when reduced to the base 1894, gives such a startling result?

Unfortunately I did not state the source of these index numbers in my book, and for this I must bear the blame. But I must say that it is surprising that Prof. Myles should not have been able to recognise this famous series of index numbers as soon as he saw it. These are the index numbers of the Commercial Intelligence Department, originally constructed by Mr. J. A. Robertson.¹ *There is one and only one official series of index numbers which takes us back to the year 1861* (1873 equal to 100), and it is most remarkable that a teacher of economics in India, presuming to write on prices, should know nothing about it. I had quoted the whole series from 1861 to 1918 in my book, setting down 100 against 1873, without any change whatever.

These index numbers are *index numbers of silver prices*. On pp. 35—41 of my book I have compared these index numbers with Sauerbeck's index numbers of gold prices in England. This is certainly permissible. My object there is to compare the *general movement* of silver prices in India with the *general movement* of gold prices in England. It is *not a question there of the extent of the rise of prices* in India as compared with the *extent* of the rise of prices in England. It is obvious that when we wish to determine the *extent* of the rise of prices in India and gold using countries, India's silver prices must be converted into gold. It is for this reason that figures given by Prof. Myles in Column 8 of the table

(1) The complete series, with the source, was quoted on pp. 41-42 of the first edition of the *Essays* published in 1919.

on p. 10 of his paper are meaningless. He did not know what my second index number of Indian prices was, and he took no trouble to find out.* Starting from the assumption that "things which are comparable with the same thing are comparable with one another", he has reduced in column 8 of his table VIII index numbers of *silver prices* in India to the base 1894 and compared them with index numbers of *gold prices* in other countries. There is, of course, no objection to our comparing these index numbers, when converted into index numbers of gold prices, with the index numbers of gold prices in other countries, if we wish to know whether prices in India were rising more or less rapidly than in other countries. This has been done by the Government Department of Statistics. I reproduce below the table, with the footnote, given on page 17 of Index Numbers of Indian Prices, No. 996, published in 1919 :

* It would have been easy for Prof. Myles to ask me, as a friendly colleague might well do, about the source of my index numbers.

Gold Prices in India and Foreign Countries from 1890 to 1918, as compared with the level of prices prevailing in each Country in the Quinquennial Period 1890—1894.

Year.	INDIA.			UNITED KINGDOM.		Canada Department of Labour.	UNITED STATES.		France La Reforme Economique.	Australia Bureau of Census and Statistics.
	Department of Statistics Unweighted	Weighted.	Prices Enquiry Committee (Calcutta.)	Economist	Sauerbeck Index		Dun	Gibson.		
1890-94	100 (39 articles) General index number.	100 (100 arti- cles.)	100 (102 arti- cles.)	100 (44 arti- cles.)	100 (45 arti- cles.)	100 (272 arti- cles.)	100 (200 arti- cles.)	100 (22 arti- cles.)	100 (48 articles.)	100 (92 articles).
1890	116	110	113	104	105	106	98	95	104	117
1891	105	105	105	103	105	104	107	111	104	104
1892	98	103	97	99	99	99	98	99	97	102
1893	98	98	97	98	99	98	103	100	101	94
1894	85	84	88	96	92	93	94	95	94	83
1895	91	85	91	89	90	94	88	92	87	84
1896	101	98	96	92	89	88	85	74	85	102
1897	110	123	110	91	90	88	82	76	86	102
1898	98	104	105	91	93	92	87	84	92	99
1899	99	101	105	95	99	96	88	91	99	89
1900	118	116	118	112	109	104	93	97	106	99
1901	111	116	116	108	102	103	104	99	99	108
1902	108	100	111	100	101	105	111	117	97	116
1903	102	103	110	102	101	106	109	107	99	116
1904	104	100	111	107	102	109	109	105	99	98
1905	112	112	119	106	105	109	109	103	99	101
1906	132	132	134	111	112	115	114	109	109	105

continued on next page.

Gold Prices in India and Foreign Countries from 1890 to 1918, as compared with the level of prices prevailing in each Country in the Quinquennial Period 1890-1894.

Year.	INDIA.			UNITED KINGDOM.		UNITED STATES.		Australia Bureau of Census and Statistics.	
	Department of Statistics Unweighted.	Weighted.	Prices Enquiry Committee (Calcutta.)	Economist.	Grauer & Statist.	Canada Department of Labour.	Dun. (200 arti- cles.)		Gibson. (22 arti- cles.)
1890-94.	100 (39 articles) General index number.	100 (100 arti- cles.)	100 (102 arti- cles.)	100 (44 arti- cles.)	100 (45 arti- cles.)	100 (272 arti- cles.)	100 (200 arti- cles.)	100 (22 arti- cles.)	100 (48 articles.)
1907	140	140	139	117	117	121	117	111	113
1908	140	149	138	114	106	116	124	118	123
1909	126	134	128	106	108	116	122	129	110
1910	124	125	130	116	114	119	135	129	111
1911	132	130	131	116	117	122	126	124	111
1912	140	145	139	120	124	129	135	122	130
1913	146	152	147	128	124	130	132	127	120
1914	150	156	..	122	124	131	136	133	..

Note.—To convert an index number of silver prices to an index number of gold prices, the index number of silver prices for any year is multiplied by the rate of exchange for that year, and divided by the rate of exchange in the basic period. To convert, for example, the index number of silver prices for the year 1900, which was 116... to a gold basis with 1873 as the standard period (1873 equal to 100), 116 is multiplied by 15.973, the rate of exchange of the year, and divided by 22.351, the rate of exchange of the standard period, i.e., the gold prices index number is 83.

In the above table the index number of silver prices in 1900, for example has been converted to a gold basis with 1890-94 as 100 or the standard period. It was necessary firstly to reduce the index numbers of silver prices on the basis of 1873 to the basic period 1890-94, i.e. 116 is multiplied by 100 and divided by 101.4, the average of the five years' index numbers 1890-94. This is 114, and 114 is then multiplied by 15.973, the average rate of exchange in 1900, and divided by 15.4904, the average rate of exchange in 1890-94, i.e., the index number is 118.

It will be seen that whether we take the weighted or unweighted index numbers of the Department of Statistics, or the index numbers of the Prices Enquiry Committee, the rise of prices in India is found to be greater than in any other country mentioned in the table.

PUNJAB FOOD PRICES 1841—1920.

On p. 44 of his paper (Indian Journal of Economics, Vol. VI, pt. I) Prof. Myles sums up his conclusions regarding the movement of food prices in the Punjab from 1861 to 1920. He believes that the general level of prices remained remarkably stable from 1861 to 1887, in spite of years of severe famine and years of plenty. In a footnote he draws attention to my conclusion that the prices of agricultural produce in the Punjab began to rise after 1860. He says :

"My observations, however, bring me to a conclusion diametrically opposed to that generally accepted, and which is arrived at in an entirely different way by Professor Brij Narain in his "Essays on Indian Economic Problems". In an Essay on "Prices before 1861" after a survey of different Settlement Reports, he comes to this conclusion:—"Prices continued to be low till about 1860, after which they began to rise. For the first two or three years after 1860 the rise was due to famine, as also in 1868-69, but *it is broadly true that after 1865 prices show a marked upward tendency*" (p. 60). Again on p. 67, he says, "To sum up, there are two chief features of the early history of our prices (*i. e.*, Punjab Prices), the heavy fall of prices in the first three years after the annexation of the Punjab, and the *gradual rise of price after 1860*" Again on the same page he speaks of "*the rise in the price of agricultural produce . . . after 1860*". (The italics in each case are mine). The conclusion is arrived at after a review of various Settlement Reports. He finds himself called upon to account for this rise in prices. The phenomenon brought out by my statistical survey is the reverse of that stated above, *viz.*, the remarkable stability of the general level of food prices in the Punjab from 1861 to 1887."

It is obvious that when I say that the price of agricultural produce began to rise after 1860, *I am comparing prices after 1860 with prices before 1860*, and not with the average prices in the decennium 1873—82. It should be remembered that the Essay from which these passages have been quoted is entitled "*Prices before 1861*".

Prof. Myles's enquiry begins from 1861, and there is no reference to prices before 1861 in this paper. It appears to him that the price of food grains began to rise in the Punjab after 1887, and he, in part, accounts for it by connecting it with "the improvement of communications in the province, and the linking up of its markets with those of the west".¹ If he had examined food prices in the Punjab before 1861, he would have found that this influence began to work much earlier, and in fact the great rise in Punjab food prices began after 1861. Prof. Myles's paper creates a misleading impression in so far as it suggests that the rise in prices began after 1887, and that no rise in prices has to be accounted for before that year.

In the following pages I propose to show, first, that food prices in the Punjab before 1860 were much lower than the prices after 1860 and second, that between 1861 and 1887 food prices in the Punjab did not remain remarkably stable but showed a marked upward tendency

My method of inquiry will be twofold. In the first place I propose to review the Settlement Reports relating to this period. Prof. Myles completely ignores them. The Settlement Officer may not be a trained economist. But he is a practical man, and when he examines price statistics he has a practical end in view. When a new settlement is made, and a higher assessment is proposed, the Settlement Officer must state his grounds for proposing it. Now the rise of prices is one of these grounds, and if we find a Settlement Officer justifying the higher assessment proposed on the ground that prices had risen, it is reasonable to assume that prices did actually rise, unless we can show that the Settlement Officer misinterpreted the facts. Now there are a dozen Settlement Officers working in different districts of the Punjab who refer to the rise of prices in this period. All of them cannot have been wrong, and we have to remember that their reports were written at the time when they were observing those phenomena, and not 50 years afterwards. If a Settlement Officer had arrived at a conclusion regarding the movement of prices in his district which was "diametrically opposed" to the known facts, he would have been immediately checked and corrected.

To the people of the province also, upon whom higher assessments were imposed in this period, the question of the rise of prices was a practical question. One may show by means of a smoothed curve that food prices remained remarkably stable from 1861 to 1887, but as we shall see, that was not the view taken of the movement of prices in this period by those who imposed higher assessments and those who paid them.

The verdict of the Settlement Officer, therefore, is important, and it cannot be lightly ignored because it conflicts with the tendency of the smoothed curve.

In the second place I propose to examine the statistical material given in the Punjab Administration Reports and the *Prices and Wages Reports*, and on the basis of it to show that Punjab food prices from 1861 to 1887 did not remain remarkably stable but were rising.

Jullundar District.

Mr. W. E. Purser, in his Final Report of the Revised Settlement of the Jullundar District, published in 1892, thus refers to the course of prices in his district:

"The general result was found to be that in the first decade after the Regular Settlement (completed in 1851) prices fell off greatly, but after that recovered, and have tended to rise higher and higher since"¹.

Mr. Purser wrote a note on prices in the Jullundar District from 1846 to 1882, which has been published as Appendix XII to the Assessment Report of Tehsil Nawashehar, 1883. He divides his statistics of prices into four periods of which the first extends from 1846 to 1861, "till the great rise in prices began"², to quote Mr. Purser's own words, and the second from 1862 to 1882. He regarded the returns of prices relating to the chief crops of the district, wheat gram, maize, cane, cotton and *moth* as "fairly correct". District averages for the principal food grains in quinquennial periods from 1846 to 1882 are given below:—

(1) P. 155.

(2) Appendix XII to the Assessment Report of Tehsil Nawashehar, 1883 Civi, Para 1.

Scers per rupee.

	Wheat		Gram		Barley		Maize		Jowar	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
1846-51	31	40	33	42	37	51	46	49	48	59
1851-56	48	58	64	76	64	100	63	81	62	56
1856-61	52	56	66	76	65	78	53	65	48	53
1861-66	30	38	40	48	40	58	43	47	38	38
1866-71	22	25	19	30	27	32	27	34	21	23
1871-76	26	33	33	39	32	42	34	39	30	34
1876-82	22	26	26	36	31	33	25	30	26	28

(a) Average prices of trade transactions.

(b) Average prices received by agriculturists.

In will be seen that prices in the quinquennia 1861-66 and 1866-71 were higher than in 1856-61 or 1851-56. Prices fell in 1871-76, but the level was still higher than in 1861-66. In 1876-82 prices were higher than in the preceding quinquennium, and much higher still than in the quinquennium 1861-66.

Average district prices from 1846 to 1861 (15 years) are compared below with the average of 21 years from 1862 to 1882:

Average Prices received by agriculturists. District averages

	1846-61	1862-82
Wheat	51	31
Gram	65	38
Barley	78	38
Maize	63	38
Jowar	48	28

Having these figures before him, it may well appear to Mr. Purser that the great rise in prices began after 1861. His remarks on the causes of price fluctuations are not without interest, and I am reproducing them in the footnote.†

† "The future of prices depends upon a number of social, political, and economic events concerning which I have not sufficient knowledge to form any trustworthy opinion, and the resultant forces of which I am quite unable to determine. Among the social circumstances affecting prices may be mentioned the increase of population and a rise in the standard of comfort here, both affecting the surplus produce available for export, which is practically that portion of the produce with which we are concerned. Among political circumstances the first rank belongs to the Eastern question and more especially to that part of it which concerns the safe and continuous navigation of the Suez Canal. A minor point is whether any domestic reforms would enable Russia to regain her old position of a great wheat exporter. But the most important question is an economic one,—Is the supply of the precious metals likely to largely increase or decrease? In the former case prices will fall, in the latter rise: other circumstances remaining the same. We know to our cost that the supply of gold is rapidly falling off. As to

Gujranwala.

The revision of the Settlement of Gujranwala district took place in 1889—94, and the Report was issued in 1894. Mr. (later Sir) M. F. O'Dwyer was the Settlement Officer. He tells us that the enquiry into prices was carried back as far as the year 1853, from which full statistics were available, with the view of determining not only the average Gazette prices, but the average harvest prices realised by agriculturists, which are more important for assessment purposes. The books of the leading traders at the chief centres in each tehsil were carefully examined, and unbroken series of prices of the chief food grains and agricultural produce were obtained. It was also found possible to discriminate between the prices in transactions between agriculturists and traders, *i. e.*, harvest prices, and the ordinary retail prices. The results of the enquiry are shown in the following table :—

Name of crop	Gazette Prices 1853—67	Harvest prices 1853—67	Prices assumed at Settlement 1867—68	Gazette prices 1873—88	Harvest prices 1873—88	Per cent of increase of col. 5 on col. 2.	Per cent of increase of col. 6 on col. 3.	Prices assumed for re-assessment.	Increase per cent. col. 9 on col. 4.	Average prices 1888-92	
										Gazette	Harvest
I	2	3	4	5	6	7	8	9	10	11	12
Wheat	32	36	34	20	24	60	50	26	3	18	21
Barley	54	55	51	34	38	60	45	40	27	23	31
Gram	47	49	41	27	33	75	49	35	17	25	27
Maize	39	47	40	26	28	50	68	32	25	20	23
Jowar	37	45	44	27	31	37	45	35	28	20	25
Kajra	..	..	35	..	..	..	..	30	17	..	..

[Prices in seers per rupee.]

silver, the most productive mines are apparently becoming exhausted. New mines may be discovered. But at present it would seem that the supply of gold and silver is by no means keeping pace with the increase in the world's trade. Another circumstance which it is difficult to classify as social, economic, or political, and in fact belongs in part to all these classes, is the rapid increase of population in the United States. This may imply a diminished power of export on account of the greater demand in the Eastern States for home consumption, or it may more

It should be noted that the prices assumed for re-assessment were substantially lower than the average prices in 1888—92, but substantially higher than the prices assumed at the Settlement of 1867-68.

“From these statistics it appears”, says the Settlement Officer, “that the Gazette prices for the 15 years (1873—88) preceding this Settlement as compared with the Gazette prices for the 15 years (1853—67) preceding last Settlement show an increase of about 65 per cent. for Rabi and 40 per cent. for Kharif crops, while the harvest prices show an increase of 48 per cent. for Rabi and about 45 per cent. for Kharif crops. The value of the Rabi standing to the Kharif as 3 to 2 it follows that harvest prices for the latter period have risen 47 per cent. as compared with the former”.¹

The Settlement Officer points out that prices in 1873—88 were influenced by railway communication and the rise of the export trade. “Even if the latter influence”, he adds, “be now considered a permanent one, and it is probable that every year England will look more and more to India for the supply of food grains—dearth owing to poor harvests will be rare in future owing to the greater area under cultivation and the increased security of outturn due to the canal”.²

Amritsar District.

Mr. J. A. Grant, Settlement Officer, in his Final Report on Revision of Settlement (1888-93) of the Amritsar District, refers to the “sustained rise of prices, rent and letting value of land”³ as one of the reasons for the enhancement of revenue. He compared average prices during 16 years ending with 1889 (excluding 1879) with average prices during 16 years ending with 1865 (excluding

probably imply a greater surplus available for export on account of the greater agricultural population of the Central and Western States; but in either case, it implies a removal to a greater distance of the place of production from the European market, and consequently less favourable terms of competition with India in that market. But against this must be set the serious efforts of the American Government to improve the interior water ways of the country so as to allow produce to be carried by water without breaking bulk from the Valley of the Mississippi to Europe. No such improvement is possible in India, which will have to depend on its very expensive railway carriage.” Appendix XII to the Assessment Report (1883) of Tehsil Nawashehar, para (4).

(1) P. 51.

(2) P. 52.

(3) P. 30.

1861), and estimated the rise of prices in 24 years, 1865—89, to be about 60 per cent. Objection was taken to Mr. Grant's comparing prices in 1850—65 with prices in 1874—89 in order to determine the extent of the rise of prices for purposes of assessment. The view taken by the Lieutenant Governor in his review of the Assessment Report of the Ajnala Tehsil 1892 (Amritsar District) was that the rise of prices which could be counted on for assessment purposes was not much over 30 per cent. Mr. Grant pointed out in his Settlement Report of Amritsar District that the Lieutenant Governor had considered the rise of prices up to the year 1877 only, and not during the whole period in which the rates assumed at the last Settlement worked.

It is not necessary for us to take part in this controversy. It is sufficient for us to note that between 1865 and 1877 the Lieutenant-Governor was prepared to assume a 30 per cent rise of prices as compared with the prices assumed at the preceding Settlement.

Jhelum.

Mr. R. G. Thomson in his Report of the Second Regular Settlement of the Jhelum District (1874—80) compares the average prices ruling in each Tehsil of the district from 1861—75 with the average prices of the period 1853—60, and thus comments on the result: "Comparing therewith (1853—60) the average prices ruling in each tehsil from 1861—75, it will be seen how much the incidence of the Regular Settlement, as it stood when first made, has been lightened by the course of prices during this period. Prices with merely temporary interruptions have moved upwards while the Land Tax has stood still¹ Prices in Tehsil Jhelum are reproduced below :

In seers per rupee.

	Wheat	Gram	Bajra	Moth
1853—60	49	46	56	67
1861—65	34	31	36	44
1866—70	24	22	25	27
1871—75	28	25	35	41
1876*	36	50	46	45

The figures clearly show the rise of prices after 1861. Even

(1) pp. 109 112.

* 1876 shown separately in the Settlement Report.

in 1876, an year of exceptional plenty, all prices excepting that of bajra, were higher than the average prices in 1853—60.

The average prices in 1861 to 1875 are compared below with the average for 1853—60.

Seers per rupee.

		Wheat	Gram	Bajra	Moth
Pinddadankhan	1853—60	40	44	50	51
	1861—75	28	27	31	32
Jhelum	1853—60	49	46	56	67
	1861—75	29	26	29	33
Chakwal	1853—60	47	56	52	57
	1861—75	27	33	31	31
Talagang	1853—60	50	62	61	60
	1861—75	34	39	36	45

Ludhiana—A very interesting note on the fluctuations of prices in the Ludhiana District from 1840 to 1879 written in 1880 by Mr. T. Gordon Walker, Settlement Officer, is appended to the Final Report of the Revision of Settlement of the Ludhiana District, 1878—83. The Settlement Officer accepts the following definition of a rise in prices given by Mr. Carpenter in a memorandum on the question of the variations of prices (*Deccan Rents Enquiry*). "A permanent rise, when it does occur, is not a clearly defined and tangible event taking place within a period of two or three years. It takes place through a series of fluctuations, the general level of the last fluctuation of the series being higher than that of the first." The object of the Settlement Officer was to determine whether any rise of prices in this sense had taken place in his district in the period 1840—79.

His detailed review of prices on the basis of price statistics for the four Tehsils of his district (figures for the Ludhiana Tehsil are given below) shows that during the ten years 1850—59 prices remained at a low level, falling steadily till the end of the period. "The period of five years 1860 to 1864," he says, "is one of transition, *prices being on the rise*." Bad seasons raised the prices of rabi 1860. Then followed failure of the autumn rains and loss of the harvests kharif 1860 and rabi 1861, resulting in a famine. Prices fell thereafter but, says the Settlement Officer, "*they never quite returned to their old position. From 1861 there is no tendency*

to return to the old level. There are oscillations, but they are over a higher line than before. If we exclude the scarcity year of 1869, we find that in Ludhiana between 1865 and 1877 the price of wheat varied between 37 and 28 and averaged 31. It is interesting to note the sudden recovery of prices after the scarcity of 1861-62 and the more gradual return after 1868-69 when the means of communication were more complete " *1* (*Italics mine*).

The following table extracted from the statement about prices, given by the Settlement Officer, shows the fluctuations in prices in Tehsil Ludhiana from 1850-54 to 1875-79.

Prices in Tehsil Ludhiana.

Secrs per rupee.

	Wheat		Gram		Barley		Maize		Jowar	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
1850-54	52	45	61	46	69	56	66	68	95	54
1855-59	63	59	84	87	83	97	75	73	94	83
1860-61	35	35	39	42	48	48	37	38	37	42
1865-69	27	27	34	33	38	37	31	32	35	34
1870-74	29	25	32	28	43	35	35	32	41	31
1875-79	28	24	33	32	38	37	30	26	32	27

(a) Prices paid to agriculturists.

(b) Harvest prices of traders.

The Settlement Officer's explanation of the causes of the rise of prices is given in the footnote.*

*" Into the causes of the general rise in the prices of agricultural produce throughout India we cannot here inquire. Had the district continued in a state of isolation, and the means of communication through it remained as imperfect as they were at the time of the Regular Settlement, there would still have been a rise of prices. But the improvement in communications is the principal cause which has operated to produce, or, at all events, has accentuated the rise in this district to the level of the last fifteen years. The opening of the Sindh, Punjab and Delhi Railway, which took place about twelve years ago, has, by extending the market for the produce of the district, once and for ever, we might say, brought up prices. The area of the district is only 1,378 sq. miles, and it is traversed by about 35 miles of railway and 125 miles of metalled roads. The principle that supply follows demand has been establishing itself in practice; and nothing short of a decided fall in the value of agricultural produce all over India, and, we may add, Europe, will make prices recede towards their old level. The means of communication in the district are now so good that a demand in any part of India is at once felt throughout it and answered. Were prices to fall much now, it is pretty certain that a good deal of the wheat of the district would find its way eventually into European markets; and the importance of wheat is much greater than its mere acreage denotes; for it is the grain of export, and is cultivated on the best irrigated lands, which yield three times as much as unirrigated." (Para 13 of the Note or Prices appended to the Settlement Report, Ludhiana District, 1878-83).

Shahpur District.—Mr. J. Wilson, Settlement Officer, made an enquiry into prices in this district in 1888. The results are summed up in the table given below. He found that in a series of years the averages for the different towns did not differ very much and he considered it sufficiently accurate to take their average as representing prices for the whole district. The harvest prices thus ascertained were as follows :—

Period		Wheat	Bajra	Jowar	Gram	Barley
Fifteen years	1850—64	41	47	52	51	57
Thirteen years	1865—77	26	30	34	32	38
Ten years	1878—87	21	25	28	27	31

He thus comments on these figures :—“Taking the average of the fifteen years, 1850—64, which cover the period of Settlement operations, as representing the prices of last Settlement, and the average of the last ten years as representing the prices now prevalent, it may be said that that quantity of each article which would then have fetched Rs. 100 in silver, now fetches as follows :—Wheat Rs. 195, bajra Rs. 188, jowar Rs. 186, gram Rs. 189 barley Rs. 184. . . That is to say—the *principal food grains*—wheat, bajra, jowar, gram and barley, which together occupy three-fourths of the area under crops, *have each increased in money value more than 80 per cent. since last Settlement* and the price of wheat, which is by far the most important, has *practically doubled*” (italics Mr. Wilson’s).¹

We have reviewed in some detail the movement of food prices in Jullundar, Gujranwala, Amritsar, Jhelum, Ludhiana and Shahpur. My references to other districts will be briefer. No new facts are revealed by a study of other Settlement Reports relating to this period. The course of prices in the different parts of the province has been similar—low prices before 1851, and the gradual rise of prices after that year. It should be borne in mind that when a Settlement Officer speaks of the rise of prices in a given period as compared with another period, he is comparing average prices in the two periods, and not prices at the end of the period as compared with the prices at the beginning.

(1) Final Report on the Revision of Settlement of the Shahpur Dist., 1887—94, p. 9.

Ferozporc.—The Final Report on the Revision of Settlement (1884—89) of the Northern part of the Ferozporc District refers to about 45 per cent. rise in the price of grain since 1853-54 in the tract under Settlement (p. 9).

The Final Report on the Revision of Settlement (1889—91) of the Muktsar Pargana and Mamdot Jagir of the Ferozporc District refers to about 40 per cent. rise in the average prices of grain between 1872 and 1889 (p. 3).

In his Report on the first Regular Settlement of the Muzaffargarh District, 1873—80, the Settlement Officer, Mr. O' Brien, thus comments on the movement of prices in the Muzaffargarh District between 1854-55 and 1876-77:—"During the 23 years prices were lowest in the first five years, and rose generally during the next ten, falling again during the last eight years, but not so much as to reach the low prices of the first five years. Since 1877 prices have risen very much. Wheat is selling in 1881 at 13 seers per rupee" (p. 110).

Montgomery District.—In the Report on the Revised Settlement of the Montgomery District, published in 1878, Messrs. C. H. Roe and W. E. Purser, Settlement Officers, give statistics of prices in this district from 1838 to 1871. Their conclusions as regards the rise of prices are summed up thus:—

"The period of 15 years from 1842 to 1856 may be looked on as that the prices of which would have been regarded at last Settlement and the second period from 1856—71, as subsequent to last Settlement. The percentage of rise, in the second period, of average prices over those of the first period, is as regards—

Cotton	37 per cent.	China	37 per cent.
Jowar	28 per cent.	Wheat	37 per cent.
Rice	22 per cent.	Gram	15 per cent.
Kagni	39 per cent.		

"The tendency of prices since has been towards a fall. It is not likely that any serious fall will take place, while there are facts which make a further rise seem possible" (p. 155).

Mr. (later Sir) D. C. J. Ibbetson, in his Report on the Revision of Settlement of the Panipat Tehsil and Karnal Pargana of the Karnal District (1870—80) thus comments on the movement of prices in the tract under Settlement between 1850 and 1874:—

"The fifth period from 1850 to 1855, is marked by a sudden and extensive fall in all prices, which continued to 1858, and this must, I fancy, have been owing to the opening out of the Punjab, and to its surplus stuffs pouring into a market from which no railway existed to carry them away. The famine of 1859-60 only introduced the cotton famine, which began in 1861 and continued for five years, during which time it is estimated that £63,000,000 sterling of silver was poured into Bombay. This enormous addition to the circulation of the country drove up prices with a rush, and before equilibrium had been restored, the introduction of steam carriage from Delhi threw open the markets of the world to India, and perpetuated the high level which had been reached. The famine of 1869 created a temporary disturbance, but for the last five years the seasons have been fair, the opening of the Punjab Railway in 1870 has completed the connection between Lahore and Bombay, and prices have stood with an extraordinary steadiness at what may be considered their normal rates. Since then the drought of 1877-80 has again raised prices considerably; but the rise is probably only temporary" (p. 283).

Rawalpindi District.—The Final Report on the Revised Settlement of the Rawalpindi District 1880-87, by F. A. Robertson, Settlement Officer, thus refers to prices after 1860:—

"It seems undeniable that prices are both higher and better established than they were before the year 1860, and agriculturists have now far greater facilities for converting their produce into money than existed 30 years ago" (p. 143).

Gurdaspore District.—There was a Revised Settlement of the Gurdaspore District in 1887-92 by Mr. (later Sir) L. W. Dane. The difference between the prices assumed in 1865 and those assumed by the Settlement Officer in 1888, to quote his own words, was "enormous" (p. 39 of the Settlement Report).

The evidence of Settlement Officers regarding the movement of food prices in the Punjab after 1861 is important. It, at any rate, shows that I was not drawing upon my imagination when in my Essay on *Prices before 1861* I said that the prices of food grains in the Punjab showed a marked upward tendency after 1861. Any one who had this evidence before him would come to the same conclusion, unless he was misled by his smoothed curve.

Prof. Myles's conclusions regarding the movements of Punjab food grain prices during the whole period 1861—1920 are entirely based on the shape of his smoothed curve. It is seen that between 1865 and 1887 the smoothed curve is nearly a straight line, hence the conclusion that, in this period, the general level of the prices of food grains in the Punjab remained remarkably stable. Between 1887 and 1896 the curve is seen to rise, and between 1896 and 1905 the curve again becomes a straight line, from which Professor Myles concludes that the rise in the *general* level of food prices set in about 1887 and continued till 1896, after which stability set in which continued until about 1905.

A smoothed curve, it should be remembered, is obtained in an artificial manner. It is useful for showing the general trend of a movement, but for no other purpose. It is never more important than the original data, and in interpreting it care should be taken that the meaning of the original data is not lost. Kelly says:—

“Since the average of two unequal numbers is never as large as the larger or as small as the smaller of the two, the smoothing process tends to flatten a curve out and lower modes. If the data are particularly irregular, it is frequently desirable to do this to reveal a general trend, but it should be borne in mind that something of significance is always lost in the process of smoothing. Numerical calculations should never be made from smoothed data, as a spurious consistency in the findings may be introduced and significance of the original data may be hidden”¹.

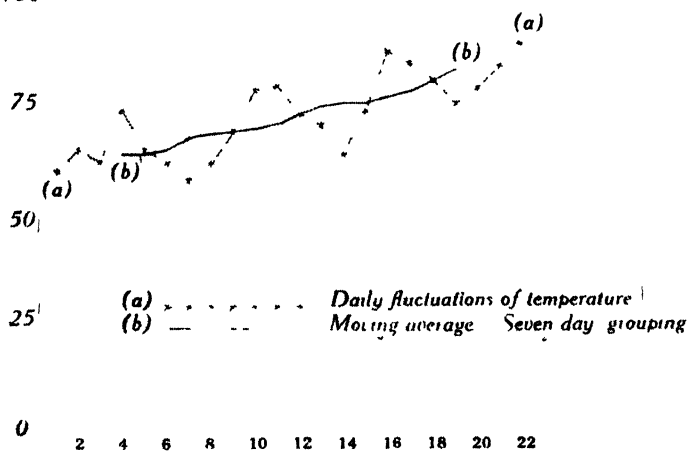
It deserves to be emphasized that smoothing may cause stability to appear where, according to the original data, there is none

For example, suppose the yearly fluctuations of prices between 1861 and 1887 show that while during the whole period prices rose and fell, they never returned to the level of the average prices in 1862—66. In the process of smoothing this important fact may be overlooked, and yet this one fact would be a conclusive proof that after 1861 prices had a marked upward tendency. The stability of the smoothed curve in such a case would be ‘spurious’ stability, which conceals the significance of the original data. The unwary statistician may thus eliminate not only yearly fluctuations but all sense from the data.

(1) Statistical Method by T. L. Kelly, p. 29.

Fahrenheit
Degrees
100

Chart A



Further, smoothing removes short time fluctuations. "To study short time changes therefore", as King says, "the original historigram and not the trend must be studied".¹

Suppose the daily mean temperature of a certain place has varied in a month as shown in column 2 of the following table :—

February	Daily mean temperature. Fahrenheit in Degrees.	Moving average, 7 day grouping.
1	61	
2	66	
3	63	
4	75	65
5	66	65
6	63	66
7	59	68
8	63	69
9	70	70
10	80	71
11	81	72
12	74	74
13	72	76
14	65	77
15	75	77
16	88	78
17	86	79
18	82	82
19	77	84
20	80	
21	85	
22	90	

A moving average of 7 days shows the general trend (see Chart A). The curve rises steadily. But while the smoothed curve shows the general trend, it is no guide to the study of daily fluctuations of the mean temperature. They have been eliminated by means of the moving average, and no one is entitled to say that because the moving average rose from 72 to 77 between 11th February and 14th February, the general level of mean temperature

(1) Elements of Statistical Method by W. J. King, p. 171. This sentence is printed in thick type in the original.

was rising from 11th February to 14th February. The actual daily mean temperature, as is seen, fell from 81 degrees on 11th February to 65 degrees on 14th February.

We must take care not to confound the general trend with short time fluctuations. But this is exactly what we do when inferences are drawn about steadiness or unsteadiness of prices in particular years from the curve showing the general trend of prices. Suppose our prices between 1861 and 1884 rose and fell periodically in a cycle of ten years as shown in column 2 of the table given below :—

Year.	Index Numbers of prices.	Ten yearly moving average (centred). ¹
1861	75	
1862	75	
1863	75	
1864	75	
1865	150	
1866	250	108
1867	140	108
1868	100	108
1869	80	108
1870	60	106
1871	75	97
1872	75	88
1873	75	86
1874	75	86
1875	100	86
1876	120	86
1877	105	86
1878	95	86
1879	80	86
1880	60	
1881	75	
1882	75	
1883	75	
1884	75	

The ten yearly curve on chart B shows stability between 1866 and 1869, a fall commencing in 1870 and stability again between

(1) Centred by means of a two-yearly moving average.

300

Chart B

250

200

(a) Yearly average
(b) Ten yearly average (centred).

150

(b)

100

(a)

50

1860

'65

1870

'75

1880

'85

1873 and 1880. The curve shows this, but any one who, looking at the shape of the curve, said that the general level of prices fell in 1870, or was stable from 1873 to 1880, would be wrong. Our original data show that nothing is farther from the truth. Between 1871 and 1874 prices were absolutely stable, and between 1874 and 1880 prices moved irregularly.

That it is wrong to infer from a smoothed curve that prices commenced to rise or fall in particular years may also be shown in another way.

When cyclical fluctuations take place about a uniform level, or about a line ascending with a uniform slope, the length of the cycle and the magnitude of the fluctuations being constant, a moving average having a period equal to the period of the cycle will give a straight line. The same result will be obtained when the moving average has a period which is a multiple of the period of the cycle. A twenty yearly moving average will show the same trend as the ten-yearly moving average, when the period of the cycle is ten years. This is shown by the table given below :—

Cyclical data	Ten yearly moving average (centred)*	Twenty yearly moving average (centred)*
20		
22		
26		
30		
36		
40	27·6	
32	27·6	
28	27·6	
24	27·6	
18	27·6	
20	27·6	27·6
22	27·6	27·6
26	27·6	27·6
30	27·6	27·6
36	27·6	27·6
40	27·6	27·6

* Centred by means of a two-yearly moving average.

Cyclical data	Ten yearly moving average (centred)*	Twenty yearly moving average (centred)*
32	27'6	27'6
28	27'6	27'6
24	27'6	27'6
18	27'6	27'6
20	27'6	
22	27'6	
26	27'6	
30	27'6	
36	27'6	
40		
32		
28		
24		
18		

If the magnitude of the fluctuations is not constant, the length of the cycle remaining the same (10 years), a twenty yearly moving average, while showing the same general trend as the ten yearly moving average, will give us a smoother curve. *But the point of the greatest importance to which I wish to draw attention is that the two curves will not rise or fall precisely in the same years.*

In Table V I have given in Column 2 Prof. Myles's index numbers of prices showing annual fluctuations, and in Column 3 his ten yearly average. Column 5 shows the 20 yearly moving average (centred). On Chart C the same data have been graphically presented.

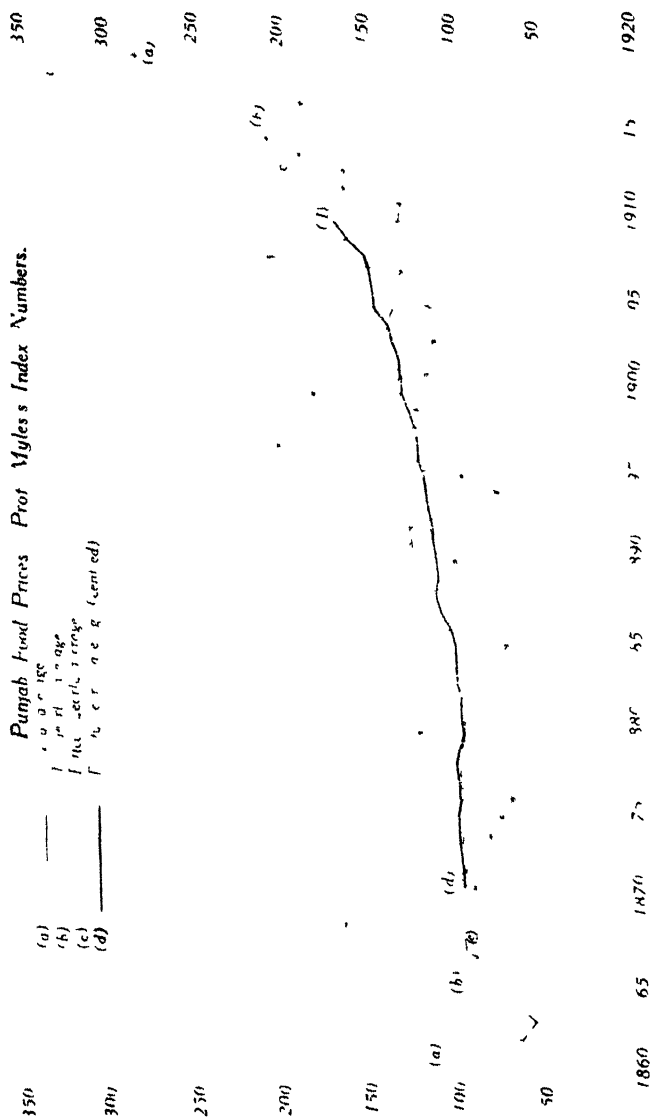
It will be seen that the twenty yearly curve is smoother than the ten yearly curve. Further, it will be seen that the twenty yearly average rose steadily from 1880 to 1888, fell one point in 1889, and then rose continuously till the end. The ten yearly average, on the other hand, after rising in 1882 returned to the level of 1879 in 1886; rose from 1887 to 1896, and remained stable from 1896 to 1905.

Which of these two averages shall we trust as a guide to fluctuations in the general price level between particular years?

*Centred by means of a two-yearly moving average.

Chart C

Punjab Food Prices Prot Myles's Index Numbers.



The answer is 'Neither.' By smoothing the curve we have eliminated yearly fluctuations. The general trend alone remains; individual years have disappeared from our view.

The moving average may rise or fall in a particular year not because of a rise or fall of prices in that year, but because of the influence of prices in the five or ten preceding or following years.

It thus appears that when we wish to determine the precise point of time when prices began to rise or fall, we must consult the original data, and not the general trend of prices as shown by the smoothed curve.

Price Statistics.

The prices of food grains (retail) from 1861 to 1920 have been taken from the well known official publication *Prices and Wages in India*. The 23rd issue published in 1906 gives the average annual prices of the five food grains, wheat, barley, jowar, bajra and gram, for the whole province from 1861 to 1905 in seers per rupee. The figures for 1906 to 1920 have been taken from the 36th issue, but it was necessary to convert prices given in rupees per maund into seers per rupee. I have preferred to give all prices in seers per rupee, as retail prices of food grains are commonly expressed thus in the Punjab and other parts of India.

The prices of wheat, barley, jowar and maize, from 1841 to 1860, have been taken from two diagrams showing the fluctuations in the prices of the chief articles of agricultural produce from 1841 to 1856, and from 1857 to 1874, given in the Punjab Administration Report for 1874-75. The diagram showing the fluctuations in prices from 1841 to 1856 has been repeated from the Punjab Administration Report for 1872-73. It is stated: "The prices shown in this diagram are calculated on the averages of 16 districts only, information regarding the remainder not being available for the years in question." The prices shown in the second diagram represent average prices for the whole province. The diagrams are clearly drawn, and no difficulty was experienced in interpreting them.

I should have preferred to get actual figures of prices, instead of having to read them from curves. But these figures were not available. I have, however, no reasons whatever to doubt the

accuracy of the diagrams, and the information which they give, is of value in *showing the general fluctuations in prices before 1861.*

It is not stated on either chart whether the prices shown are wholesale or retail. But they are not retail prices. When we compare the price of wheat from 1861 to 1874, as shown by the second diagram, with the retail price of wheat as given in the *Prices and Wages Report*, 23rd issue, we find that in all cases, except two, the prices as given in the *Prices and Wages* were higher :

Price of wheat in seers per rupee.

	As shown in chart II given in the Punjab Administration Report for 1874-75.	As given in the " <i>Prices and Wages</i> " 23rd Issue (retail.)	Excess of the figures in Column 2 over the figures in Column 3.
1861	17'75	17'46	2 per cent.
1862	27'50	26'98	2 " "
1863	31'50	29'95	5 " "
1864	27'50	27'49	..
1865	23'00	21'73	6 per cent.
1866	23'50	22'83	3 " "
1867	22'50	21'07	7 " "
1868	18'50	16'24	14 " "
1869	14'25	11'99	18 " "
1870	16'00	15'84	1 " "
1871	21'50	21'08	2 " "
1872	20'00	20'40	..
1873	21'50	22'18	..
1874	24'00	22'95	4 per cent.

It will be seen that except in two cases, 1868 and 1869, (both famine years) the quantity of wheat obtainable per rupee, according to the diagram given in the Punjab Administration Report for 1874-75 was never more than 7 per cent. greater than the price (in seers per rupee) as given in the *Prices and Wages Report*. In order to make the price of wheat before 1861 comparable with the price since that year, I have reduced the figures for 1841-60 by 10 per cent. in each case. The prices thus obtained I have called "adjusted prices".

The actual retail price of wheat before 1861 may have been higher or lower than my adjusted prices ; we have no means of determining this, and I am not basing any argument regarding the *extent* of the rise of prices after 1861 on my "adjusted prices". But

there is no objection to the use of these prices for showing *the general trend of prices* before 1861.

To determine the extent of the rise of prices between 1861 and 1920 I have used the average of prices in 1861—65 as the base. This is a fairly normal or typical period, excepting for the fact that the year 1861 was affected by famine. I did not wish to search for a basic period after 1870, when prices had already begun to rise. The decennium 1861—70 was rejected because it includes 4 years in which prices were abnormally high on account of famine (1861, 1868, 1869 and 1870).

It may be stated that the general trend of a prices curve would remain the same, whatever period of years was chosen as the base. But the extent of the rise of prices, when different years are taken as basic periods, is different. The average prices in 1861—65 are a better base than the average prices in the decennium 1873—82 for an enquiry whose object is to determine the extent of the rise of prices since 1861, *for average prices in 1873—82 were already 26 per cent. higher than in the quinquennium 1861—65.*¹

It cannot be denied that the prices of food grains in the Punjab before 1861 were very low. The chief feature of the Punjab prices between the annexation of the province and 1861 is the great fall which occurred in the first three years after annexation, and which was the cause of no small amount of embarrassment to the Government. Between 1841 and 1850 prices were generally on a higher level than in the next decade. A sudden fall occurred in 1851, which made it difficult for cultivators to pay the land revenue. Fixed money assessments had been substituted for grain payments in 1847, but the prices assumed for the assessment of land were too high. "Collections became difficult"; says Mr. Prinsep, "I had to give large remissions; and from that date, 1851 till 1858, the effects of former high settlements were felt on all sides. In the Churkuree Mehal,

Note (1) The average prices were as follows :—

	Seers per Rupee				
	Wheat	Barley	Jowar	Bajra	Gram
1861—65	24'72	39'23	32'93	29'81	31'87
1873—82	20'15	30'17	25'91	23'34	25'77
The rise of prices in 1873—82 as compar- ed with 1861—65	122'7	130'0	127'1	127'7	123'7

or an average rise of 26'2 per cent for the five food grains.

particularly, people absconded, wells were lying neglected and nothing short of immediate relief would have saved the irrigated tracts; and to give this the new assessments were more expeditiously brought about".*

The land tax was reduced everywhere "In the whole of the Punjab the reduction of the land tax may be estimated to be equal to 25 per cent., exclusive of any extras which may have been levied," says the General Report upon the Administration of the Punjab for the year 1849-50 and 1850-1851¹. In spite of the reductions complaints on the part of the agriculturists were "loud and general". The chief cause of their distress was the fall in prices. Production had exceeded consumption, and there were no markets to which the surplus could be exported. The causes of agricultural distress are well analysed in the Administration Report for 1849-50 and 1850-51.²

A slight rise in prices took place in 1852 and 1853, but they fell again after 1856. Famine conditions prevailed in 1860-61 and prices rose.

Whether we compare the adjusted price of wheat in 1851—60 (Table I) with the price of wheat after 1861, or consider the prices given in the Settlement Reports reviewed above, it is unquestionable that prices in 1851—60 were much lower than the prices after 1861. We may disagree about the extent of the rise of prices after 1861 as compared with the decade ending in 1860, but the fact that prices before 1861 were lower cannot be denied.

* Report on the Revised Settlement of the Sialkot District, 1862, p. 56.

(1) p. 94.

(2) "For the three first years after annexation the harvests, with a few isolated exceptions, were remarkably favourable. For twenty years, the agriculturists declare, they had never witnessed such crops of wheat and barley. Not only did the unirrigated lands usually under cultivation yield a particularly large return, but cultivation was greatly extended. Lands which in ordinary seasons were seldom sown gave large returns. These circumstances, joined to the general peace and security of the country and the fact that large bodies of disbanded soldiers and discharged employees had to turn attention to agriculture for a subsistence, all contributed to cause so great an increase of produce as to reduce prices to an unprecedented extent. The result of these different causes has doubtless been that production has exceeded consumption and hence that while an abundance of food exists, there is not a sufficient market to secure its sale at remunerative prices. No countries surround the Punjab to which any great quantity of grain could be exported. To the west the disturbed estate of Afghanistan and the difficulties and cost of transit must prevent the export of food. To the south are Sind and Bhawalpur, the former producing more than it consumes, the latter a poor and thinly peopled tract. To the east is the Jullundar Doab, densely peopled, but so fruitful in its own soil as fully to support the inhabitants. To the north are the hills whose inhabitants have not the means of purchasing our surplus produce".

Prof. Myles would probably admit this. But his main contention is that between 1861 and 1887 prices remained remarkably stable. How far is this true?

The table given below shows the lowest level touched by the average of the five grains in particular years or periods of years in each decade between 1861 and 1920:—

1861-65=100

Decade	Year of lowest prices	Index Number	Triennium of lowest prices	Index Number	Quinquennium of lowest prices.	Index Number
1861-70	1863	79	1862-64	88	1862-66	97
1871-80	1876	96	1875-77	102	1873-77	106
1881-90	1885	99	1883-85	102	1882-86	109
1891-1900	1894	105	1893-95	127	1891-95	147
1901-10	1904	130	1903-05	148	1901-05	154
1911-20	1911	182	1911-13	213	1911-15	238

It will be seen that prices were lowest in the decade 1861-70. They rose and fell in subsequent years, but they never returned to the lowest level touched in the decade 1861-70.

The annual average and the quinquennial average are seen to rise continuously, that is, in years of plenty in each successive decade they were higher than in the preceding decade. The triennial average in 1883-85 was the same (102) as in 1875-77, but the level was 14 points higher than the lowest level touched in 1862-64 (88).

We may next consider the fluctuations in the price of wheat, the grain of export. Wheat shows even better than the general average of the five grains the influence of the causes which began to raise prices after 1861. The following table shows the year or periods of years in which the price of wheat was lowest in each decade between 1861 and 1920:—

Decade	Year of lowest price	Price in seers per rupee	Index Nos. 1861-65=100
1861-70	1863	29'95	83
1871-80	1876	25'97	95
1881-90	1885	21'91	99
1891-1900	1894	24'21	102
1901-10	1904	17'75	139
1911-20	1911	13'87	178

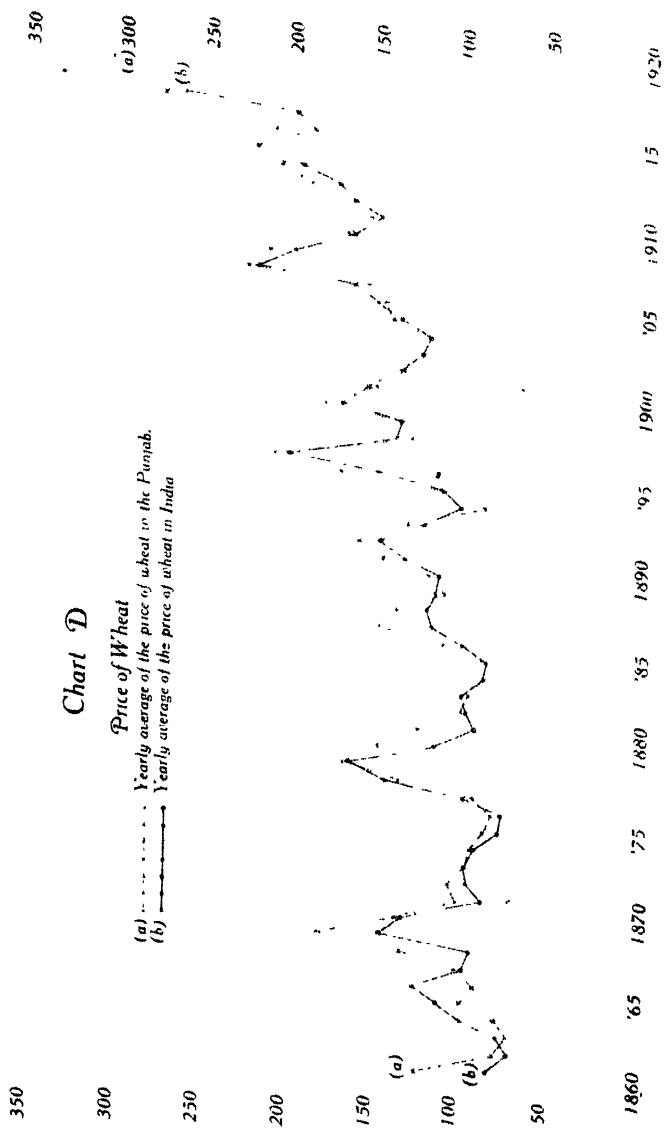
Triennium of lowest price

Decade	Triennium of lowest price	Price in seers per rupee	Index Nos. 1861-65=100
1861-70	1862-64	28'14	88
1871-80	1875-77	24'70	100
1881-90	1883-85	23'83	104
1891-1900	1893-95	19'91	124
1901-10	1902-04	16'71	148
1911-20	1911-13	12'48	198
	Quinquennium of lowest price		
1861-70	1862-66	25'80	96
1871-80	1873-77	23'84	104
1881-90	1882-86	22'47	110
1891-1900	1891-95	17'64	140
1901-10	1901-05	16'08	154
1911-20	1911-15	11'34	218

It will be seen that the lowest price, whether annual, triennial or quinquennial, in each successive decade was higher than in the preceding decade.

These figures do not show that the price of food grains in the Punjab remained remarkably stable between 1861 and 1887 and comparatively stable between 1896 and 1905. The rise in prices is seen to be continuous, but the rate of increase is not the same in different periods.

It cannot be denied that a considerable rise of prices took place in the decade 1871-80 as compared with the decade 1861-70. The annual average index number of wheat stood at 95 in 1876 as compared with 83 in 1863 (the general average rose from 79 in 1863 to 96 in 1876). Between 1876 and the next year of plenty, 1885, the rise of prices was less rapid, 4 points in the case of wheat and 3 points in the case of the general average. The explanation of this is simple. The improvement of communications which enabled food grains to be exported from the Punjab even before 1870 led to a considerable rise of prices between 1863 and 1876. But prices tended to become steadier when this influence became of a more permanent nature—hence the less rapid rise of prices between 1876 and 1885. But it should



not be forgotten that between 1861 and 1887 prices were never remarkably stable. They were rising throughout this period, more rapidly at first and less rapidly later on.

This is what our original data show, and I maintain that when we wish to determine when prices began to rise or to fall, the original data alone must be consulted. The general trend is of no value for this purpose.

The twenty yearly average (of the five food grains) rose steadily from 134 in 1871 to 139 in 1878 and then fell to 137 in 1879 (Table III). But it would be absurd to say that the general level of prices fell in 1879 because the twenty yearly average was 2 points lower in 1879 than in the preceding year. We must not forget that the twenty yearly average set down against the year 1879 is the average price in the twenty years of which the year 1879 is only the middle point. While it is a link in the chain that shows the general trend of prices, it does not tell us anything about prices in 1879. As a matter of fact we know that prices in 1879 were abnormally high on account of famine, the index number of the average of the five grains having risen in that year to 205.

Similarly the ten yearly average fell from 136 in 1876 to 134 in 1879, while the annual average rose from 96 to 205. It will be again absurd to say that the general level of prices was falling from 1876 to 1879 when actual prices, as is seen, were rising under the influence of a very severe famine.

Even at the risk of being tedious I must repeat that we have no business to confound the general trend with short time fluctuations. The general trend is not meant to show when prices began to rise or to fall. And yet Prof. Myles's conclusions that the rise in the general level of food prices set in about 1887 and continued till 1896, and that comparative stability set in in 1896 and continued until about 1905, are entirely based on his smoothed curve.

The failure of prices in each successive decade to return to the lowest level touched in the preceding decade shows "a marked upward tendency" in the price of food grains after 1861. This interesting fact has been overlooked by Prof. Myles, as it has been smoothed out by his ten yearly average and free hand curve. But it is obvious that if in spite of years of plenty, the general level of food prices had

as is claimed by Prof. Myles, remained remarkably stable between 1861 and 1887, prices in good years in 1871—80 and 1881—90 would have returned to the level of good years in 1861—70. But they did not do so, showing that prices were tending to rise. Prof. Myles's conclusion is "diametrically opposed" not only to my own conclusion, but it is also "diametrically opposed" to truth and good sense.

The most important cause of the failure of prices to return to the old level after 1871 was the development of communications. Prices tended to become more and more independent of local conditions as the Punjab became more and more closely connected by means of the railway with other Provinces and the ports.

I may say a few words here about railway construction in the Punjab. Prof. Myles refers us for a short summary of the progress of railway construction in the Punjab to Mr. Calvert's "Wealth and Welfare in the Punjab", and it would seem that Mr. Calvert has misled Prof. Myles. Mr. Calvert's account is a summary of a note on railways in the Punjab Administration Report for 1911-12, with one addition. Mr. Calvert says:—"Through communication with Calcutta and Bombay was established in 1883" (p. 53). Of course the Punjab Administration Report for 1911-12 says no such thing.

As early as 1865 passengers and goods could be booked through between Amritsar and Karachi*. Through communication between the Punjab and Calcutta and the Punjab and Bombay was established in 1870**.

* "By arrangements concluded between the Traffic Managers of the Sind and Punjab Railways, and the Superintendent of the Indus Flotilla, passengers and goods can now be booked through between Amritsar and Karachi" (Punjab Administration Report for 1864-65, p. 85).

** "A section of Railway between Jalandhar and Phillor, 24 miles in length, was opened on the first day of the year. On the same date arrangements were introduced by which goods might be booked between all the principal stations from Calcutta to Karachi over the only remaining break in the line which then existed, viz., between Phillor and Ludhiana. These through booking arrangements were, on the whole, successful, and greatly facilitated the traffic between the Punjab and the seaboard so long as this interruption in the through communication remained.

"The last section of the line between Phillor and Ludhiana, including the Satalje Bridge, was thrown open to public traffic on the 15th of October, the opening ceremony being presided over by His Highness the Maharajah of Patiala. The opening of this section practically completed the construction of the Railway, and threw Lahore and Calcutta into direct railway communication" (Punjab Administration Report for 1870-71, p. 80).

"The through booking arrangements introduced on the first day of the year 1870 were still further extended, and passengers and goods can now be booked from stations on the Punjab and Delhi Railway to Madras, Bombay, Baroda and Ahmedabad" (Punjab Administration Report for 1871-72, p. 134).

Any one who knew that would be surprised if he did not find an upward tendency in the prices of food grains in the Punjab after 1865. But any one who thought that through communication with Calcutta and Bombay was not established before 1883 might well look for a rise of prices, owing to the improvement of communications, only after 1883.

The influence of the export trade in keeping up prices is referred to in several Administration Reports of this period. The earliest reference is in the Administration Report for 1865-66, where the "steady increase" in the price of wheat is ascribed to increased demand and "the opening out of new markets".¹

The Punjab Administration Report for 1871-72 thus comments on the connection between prices in the Punjab and other Provinces :—

"There can be no doubt that the prosperous grain harvest of 1871-72 in the North-Western Provinces made prices easier in the Punjab; when there is a demand for grain in other Provinces, the Punjab prices always rise, even though the supply be abundant" (p. 152).

The spring crop of 1873-74 was "a most abundant one", but according to the Punjab Administration Report for 1873-74, "the effect of this on prices was to a considerable extent counterbalanced by the extraordinary export of food grains to the Bengal famine districts". Between 15th November 1873 and the end of March 1874, 3,296,783 maunds of food grains were sent from the Punjab to Bengal :—

(1) "Under the Sikh rule if, in the large cities of the Punjab, wheat was selling at a maund for the rupee it was considered rather dear than otherwise. Under British rule prices have rarely fallen so low, and during the past year at Lahore, Multan and Amritsar, wheat has sold at higher prices than when famine was last raging in the North-Western Provinces. This steady increase of prices, which was also noticed in the last year's report, is due not so much to the deficiency of the supply but to the increased demand, and to the opening out of new markets. Under the Sikh rule the badness, and the insecurity of the roads, and the levy of vexatious transit and customs dues prevented the exportation of grain to any considerable distance. Now the products of the Punjab find their way in large quantities beyond the Province. The quantities of ghee which are now exported from the Punjab to Sukkur, and even to Bombay, have had a marked effect in increasing the price of this commodity. The impulse given by the Punjab Railway to the despatch of goods is clearly shown by the traffic returns and also from the fact that during the last four months of the official year, 25,121 maunds of refined and 1,13,928 maunds of unrefined sugar were carried from the three stations of Amritsar, Lahore and Rae-wind". Punjab Administration Report, 1865-66, pp. 91-92.

	Maunds
Gram	646,725
Barley	647,375
Wheat	594,788
Rice	175,649
Indian corn	213,457
Millets	707,211
Pulses and other food grains	311,578

This "great drain on the resources of the Province" prevented prices on the 1st of June, 1874, from falling below the level of prices at the same period of the preceding year (pp. 57-58).

The Punjab Administration Report for 1875-76 finds it "more difficult to give reasons for (price) fluctuations, owing to the wider scope of enquiry necessary to determine them", prices having become more and more independent of local circumstances on account of the development of communications (p. 70).

The Punjab Administration Report for 1876-77 refers to the "great demand for export to the famine districts of Bombay and to Europe" in the case of wheat in 1876-77. That the price still fell was due to a plentiful supply in the Province. "Wheat", the Report adds, "is grown chiefly for sale and export, the agriculturist ordinarily subsisting on the cheaper grains" (p. 82).

Finally the Punjab Administration Report for 1886-87 thus comments on the export of wheat and its effect on the price of wheat: "It is believed also that much of the surplus stocks of wheat have been taken out of the country for export during the last few years. The absence of such stores would, in a period of scarcity, contribute to the general rise in the prices of food grains" (p. 81).

What has been the course of prices after 1887?

In 1887 and 1888, as well as in 1891 and 1892, prices were high on account of scarcity. In 1894 the index number showing the average annual price of the five food grains (1861-65 equal to 100) fell to 105 (the lowest level touched in the decade 1881-90 was 99 in 1885). But it commenced to rise immediately. Prof. Myles thinks the general level of food grain prices remained stable between 1896

and 1905. By the general level of prices he only means the free hand smoothed curve. But the curve again gives us an entirely misleading idea of the movement of prices in this period. The original data show no stability. It is obviously absurd to speak of stability of the general level of prices in a period which witnessed two severe famines. The average price of the five grains rose to 280 in 1897 and after falling to 172 in 1899 it rose to 251 in 1900. Even if we ignore the rise in prices due to famine, we cannot get over the fact that in 1904, the index number stood at 130, which was 25 points higher than the level touched in 1894. It is thus seen that prices between 1896 and 1904 did not cease to rise.

The general index number rose from 130 in 1905 to 227 in 1913. While the prices of food grains in the Punjab show an upward tendency throughout the period 1861—1905, the pace was never so rapid as after 1905. Under the influence of scarcity the index number rose to 287 in 1908, but even when normal conditions returned, it never fell below 182. The period of famine prices without famine began in 1905 and continued till the end of the period under enquiry.

Causes of the rise of Prices

Reference has been made above to the influence of the development of communications on the prices of food grains in the Punjab between 1861 and 1887. Another cause of the rise of prices was the increase in the circulation of money. In the Report on the Revised Settlement of the Shahpur District, dated 1866, "the large influx of silver from Europe now going on" is mentioned as one of the causes of the rise of prices (p. 89). Similarly the Settlement Officer of Karnal District (1872-80) draws attention to the effect upon prices of the heavy imports of silver into India during the Lancashire cotton famine.¹ This was a cause operating throughout India. But after the Mutiny money was more plentiful in the Punjab for special reasons. Before the Mutiny the Indian portion of the army employed in the Punjab was largely Hindustanee. A considerable share of the Punjab revenues was paid to them as their wages, of which they spent a part in the Punjab, and remitted the remainder to their homes.

(1) Settlement Report, Karnal Parganah and Panipat Tahsil, (1872-80), p. 283.

Many lakhs of rupees were thus annually drained from the Punjab. After the Mutiny the soldiers from Oudh were replaced by Punjabees; many thousands of Punjabee soldiers were also serving abroad. "These men", says the Punjab Administration Report for 1856-57 and 1857-58, "not only remit their savings, but also have sent quantities of prize property and plunder, the spoils of Hindustan, to their native villages" (p. 23).

The increase in the cost of cultivation must have also played some part in raising the prices of agricultural produce. Some Settlement Reports give the prices of plough cattle and agricultural implements, which show that costs of cultivation were much lower before 1860 than in the period subsequent to that date. The price of a plough bullock in Kot Khai (Simla District) was Rs. 5 in 1849 and Rs. 10 in 1883. The price of a bullock in Jehlum, Pind Dadan Khan, Chakwal and Tallagung at different dates is shown in the following table:—

	At the end of Sikh rule.	1858	1877
	Rs.	Rs.	Rs.
Jehlum	25	40	55
P. D. Khan	15 to 30	30 to 40	20 to 90
Chakwal	14	16	45
Tallagung	15	22	26

The Settlement Officer, Karnal District, attached considerable importance to the rise in the cost of cultivation as an explanation of the rise in prices in his district.¹

In the Report of the Second Regular Settlement of the Gujrat District (published in 1874) prices of agricultural implements during the Settlement are compared with prices in Sikh times, and it is found that the total had increased from Rs. 72-10-9 to Rs. 97-8-6.²

(1) "The price of cattle has probably doubled since 1840; at any rate that of the more valuable cattle which are needed for working the deep well and still soil of the Bangar and Nardak, and which are for the most part not bred at home. And if the people are to be believed the cost of all implements of agriculture has increased in almost like proportion. The demand for fuel and the extension of cultivation have rendered the materials dearer, the enhanced cost of living has raised the price of labour and the tendency which has so strongly marked our rule of late years to substitute contract for status and competition for custom has, in some not inconsiderable measure, relaxed the customary obligations which bind the village labourers and artificers to the communities among whom they dwell". He also pointed out that the extension of cultivation had led to the substitution of stall feeding for grazing and that the price of water had increased since 1842 by (150) per cent. (Settlement Report, 1872—80, p. 284).

(2) p. 85.

Captain Dunlop-Smith, Settlement Officer Sialkot District, (1888-95), thus refers to the rise in the cost of cultivation in the Sialkot District:—

“Again while prices have admittedly risen, there has been steadily going on an advance in the cost of cultivation and the cost of living. This has been nowhere more marked than in the case of farm cattle”.¹

It has been argued by some economists that the increase in the cost of cultivation is the result, and not the cause of the rise in the price of agricultural produce in India. The right view, however, seems to be that the rise in the cost of cultivation is a cause as well as an effect, and that the rise in price and the increase in the cost of production mutually influence each other. The extension of cultivation after 1860 led to an increase in the demand for labour, plough cattle and agricultural implements, and their prices rose. The price of agricultural produce also rose, the rise being partly due to the increased cost of cultivation.

We have seen that with the development of communications the influence of local circumstances in determining a rise or fall of prices began to decrease. As soon as wheat began to be exported from the Punjab to other parts of India and to foreign countries, the price of wheat and other food grains in the Punjab began to fluctuate in sympathy with price fluctuations in India and other countries. Our enquiry thus becomes wider. To explain why the price of food grains in the Punjab rose gradually up to 1905 and more rapidly between 1905 and 1920 we must examine the influences that were acting on the price of food grains throughout India. It would be absolutely futile to seek to establish a connection between the price of food grains in the Punjab and the quantity of money in circulation in the Punjab. This is an influence of a general nature, and if it was at work in India, Punjab prices could not have remained unaffected.

Table VII, Col. 2, shows the fluctuations in the retail price of wheat in India (base 1873). These are the Index Numbers of the Commercial Intelligence Department. For purposes of comparison it was also necessary to reduce the Punjab price to the base year 1873.

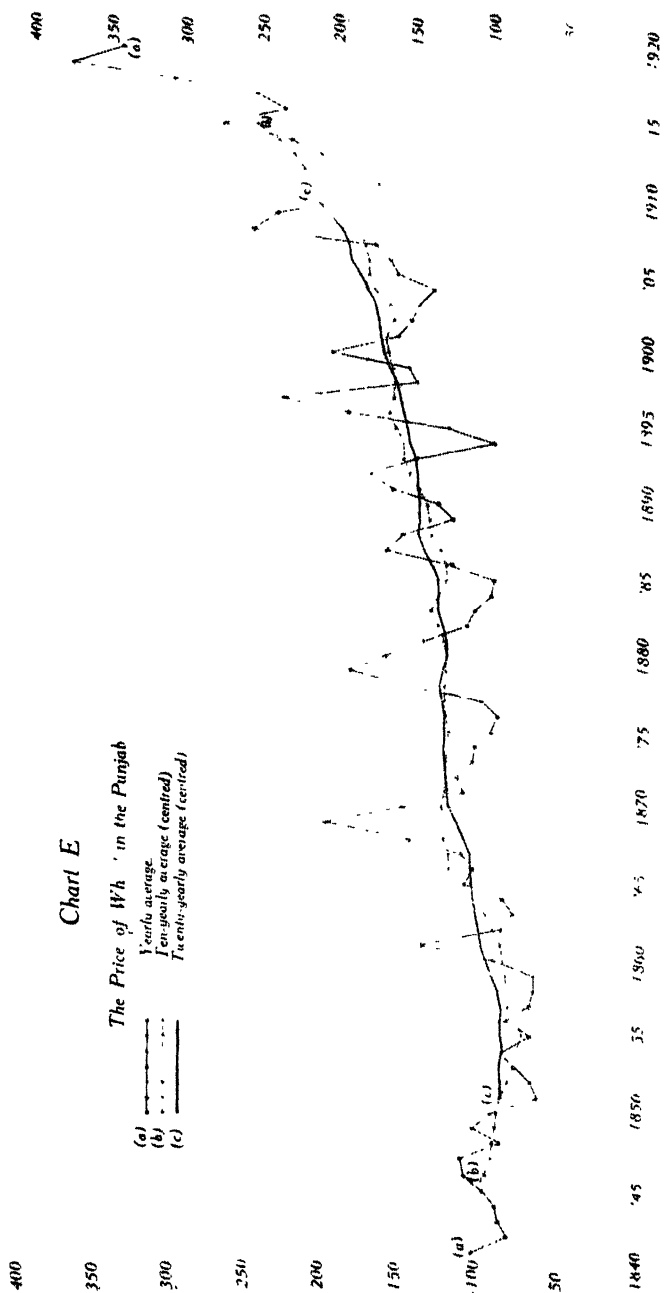
(1) P. 36. Settlement Report, (1888-95).

Chart D shows the fluctuations in the price of wheat in the Punjab and in India between 1861 and 1920. It is sufficient if we study the price of wheat alone, for the rise and fall in the price of wheat closely corresponds to the rise and fall in the prices of the other food grains.

The general movement of the two curves on Chart D is similar, though the extent of the rise and fall in both cases is not the same. It will, therefore, be legitimate to assume in the present case that the causes which explain the fluctuations in the price of wheat in India also explain the fluctuations in the price of wheat in the Punjab.

The influence of increased exports in raising the price of wheat in India may be shown by a few examples.

Indian wheat does not much compete with wheat grown in Russia, United States, Argentina and other wheat growing countries; it is required in foreign countries only to supplement deficiencies. "Apart, therefore, from general conditions, affecting the supply," says the Report on the Inquiry into the Rise of Prices, "exports are subject to violent fluctuations arising out of variations in the supply of other countries. In one year the demand will be very large and even if the Indian harvest is abundant, prices will rise; in the following year, the foreign demand may be largely reduced owing to abundant supplies from Russia, the United States and other exporting countries, and even if the harvest in India be deficient, prices might fall. The European demand, therefore, exercises a very important influence on the price of Indian wheat."¹ This may be shown by a few examples. In 1891 the wheat harvest in India was exceptionally good, but to meet a strong demand from Europe more than 18 per cent. of its total produce was exported, and prices in India rose. In 1892, inspite of a poor harvest, prices did not rise, owing to a decline in the European demand. In 1895 the Indian crops were below the normal, but out of the restricted supply a large quantity was exported to foreign countries, and prices rose. In 1901 prices were high on account of famine, but in the following year prices fell owing to a decline in the European demand. From 1904 to 1907 the production of Indian wheat was above the normal but still prices rose



steadily in sympathy with the rise in foreign prices. Of the rise in prices in 1910 and the following two or three years the same explanation is to be given. "The price of wheat in India has, with some occasional falls, been rising in recent years, notwithstanding the increase in the supply available for internal consumption. This is explained by the rise in world markets."¹

We do not, however, find a complete explanation of the great rise in the price of wheat in India since 1905 in the growth of the export trade. A new factor came into play in 1905 which overshadows other factors such as the growth of population or increased exports. This is currency inflation. As the result of inflation the general price level in India before the war rose more rapidly than prices in other countries.

The question of inflation is connected with the nature of the Indian currency system. I cannot enter here into a full discussion of the relation of the gold exchange system to Indian prices. I have discussed it elsewhere. But I am summarizing my main conclusions below :—

1. The hoarding and the melting of rupees before 1893 prevented prices from rising too rapidly by reducing the volume of the currency ; the change in the character of the rupee, from a full value coin to a token coin, by discouraging hoarding and making it unprofitable to melt rupees, contributed in some measure to the inflation of the rupee currency. It really proves nothing to say as Mr. Datta does, that "the average annual coinage during the eighteen years that have elapsed since the closing of the mints has been much less than in the corresponding period preceding that date."² The averages are 751 lakhs for the period 1874-75 to 1893-94, and 566 lakhs for the period 1893-94 to 1911-12. In the decade following the closing of the mints the average net coinage was small, due to a deliberate restriction of the coinage to force up exchange. If we compare the average coinage in the decade preceding the closing of the mints with that in the ten years ending 1912-13 (the great rise in our prices took place in this period), we find that the average was 808 lakhs in the earlier period and 917 lakhs in the latter. Further, in comparing such

(1) Prices Report, p. 116.

(2) Prices Report, p. 89.

averages, we should not forget that before the closing of the mints, 45 to 50 per cent. of the coinage was melted and hoarded.

2. Rupees cannot be forced into circulation, but a token currency which is convertible into gold only for a limited purpose (payment of international indebtedness), even when it is not forced into circulation, tends to become inflated

3. The stability of exchange during the period 1899 to 1914 cannot be used as an argument to show that the currency during this period was not inflated. Many instances can be given from the recent monetary history of Europe showing that while exchange remained stable, the internal purchasing power of money decreased heavily on account of inflation.

It is not denied that inflation played an important part in raising the general level of prices during the war. Indian prices rose to their highest point in 1920, the index number of wholesale prices standing at 204 as compared with United Kingdom 295, Canada 244, France 506, Italy 624, Sweden 347, Norway 377, Denmark 341, Holland 292 and United States of America 197. The discussion of the more rapid rise of prices in European countries between 1914 and 1920, and of the subsequent movements of world prices lies beyond the scope of this paper

To facilitate discussion I have summarized below the main conclusions reached in this paper:-

The general rise of prices in India as compared with that in other countries between 1890 and 1912.

1. Prices rose to a greater extent in India than in other countries before the war. We may take as the basis of comparison average prices in the quinquennium 1890—94 or 1894—98 (the lowest level of prices in all the countries compared with the exception of India was reached in the quinquennium 1894—98), or, if a single year is taken as the base for all countries, the year 1895. If the year 1896 is taken as the base for European countries, because European prices were lowest in that year, the year 1894 must be taken as the base for India.

2. After a series of index numbers has been constructed, any year of the series may be made 100 and the index numbers for other years reduced or magnified in proportion. This procedure is justified by Fisher and is very commonly employed.

3 In order to compare the extent of the rise of prices in India with that in other countries, India's index numbers of silver prices must be converted into index numbers of gold prices. This was done by the Prices Enquiry Committee and this has also been done by the Government Department of Statistics.

Punjab Food Prices, 1841—1920.

1. Prices in 1851—60 were much lower than prices after 1860

2. Prices did not remain remarkably stable between 1861 and 1887. They were rising. This is shown by the fact that in years of plenty in the decade 1871—80 prices never fell to the level of prices in good years in the decade 1861—70. The lowest level of prices in 1881—90 was higher than that in the preceding decade, and still much higher than the lowest level reached in the decade 1861—70.

3 The failure of prices in 1871—80, and in 1881—90 to return, in years of plenty, to the lowest level of prices in 1861—70 justifies us in speaking of "a marked upward tendency" of food grain prices in the Punjab after 1861.

4. Prices continued to rise between 1887 and 1905. They were not stable between 1896 and 1905. In the first place, the famines of 1896-97 and 1899-1900 raised prices, and secondly, even if we ignore the effects of famine, the general index number stood at 130 in 1904, which is 25 points higher than the level touched in 1894 (a year of plenty), 105.

5. After 1905 prices began to rise more rapidly than they had ever done before. The period of famine prices without famine began in 1905.

6. A smoothed curve of prices is useful for showing *the general trend of prices*, but no inferences can be drawn from it regarding the rise or fall of prices in particular years. When we do so, we are confounding the general trend with short time fluctuations, and this is essentially wrong from the statistical standpoint.

7. A smoothed curve sometimes hides the significance of the original data. The original data are always more important than the smoothed curve and they must be consulted when we wish to determine the precise point of time when prices began to rise or to fall.

Causes of the rise of prices.

1. It would have been most remarkable if the general level of food prices had remained stable between 1861 and 1887, considering that the influence of the development of communications began to be felt even before 1870. The failure of prices after 1870 to return to the level of 1862—1866 was chiefly due to the development of communications as the result of which Punjab's surplus food could be exported to other parts of India and to Europe.

2. It is incomprehensible why this influence should suddenly begin to make itself felt in 1887, and not before that year. Through communication with Bombay and Calcutta was established in 1870.

3. The increase in the circulation of money and the rise in the cost of cultivation also played some part in raising prices.

4. The rise of prices since 1905 is principally due to inflation

The price of food grains in relation to the price of cotton cloth.

A very great change has occurred in the relation between the price of food grains and the price of cotton cloth since the war, and it is worthy of note.

We may study the fluctuations in the price of cotton cloth by means of the index numbers of the Commercial Intelligence Department, articles Nos. 31, 32 and 33, (grey shirting, grey yarn, coloured yarn, orange, all imported), given on page 14 of *Index Numbers of Indian Prices, No 996 for 1919*. The base year is 1873. It is found that between 1873 and 1910, while the index numbers rose and fell, they never rose above 100. In 1911, for the first time, grey shirtings rose to 105. The average of the index numbers of the three articles was still 100 in 1911. The index numbers for the years 1910 to 1918 are given below :—

	Grey shirtings	Grey yarn	Coloured yarn orange	Average
	Article No. 31	Article No. 32	Article No. 33	
1910	96	92	88	90
1911	105	96	99	100
1912	107	83	94	95
1913	104	90	93	96
1914	103	91	98	97
1915	99	77	97	91
1916	106	108	129	114
1917	123	148	185	132
1918	199	244	283	243

It is seen that the price of cotton (manufactured) in 1914 was below the price in 1873. The rise of prices commenced in 1916, and in 1918 the price had risen 142 per cent. above that in 1873.

In 1914, however, the price of wheat was much above the level of 1873. The index number of wheat stood at 123, (average of Club No. 2, Khandwa and Delhi No. 1). Between 1914 and 1918, while the price of wheat continued to rise, it rose less than the price of cotton (manufactured). The index numbers of wheat are given below :

Wheat. Average of Club No. 2, Khandwa and Delhi No. 1	
1910	115
1911	99
1912	106
1913	109
1914	123
1915	147
1916	131
1917	134
1918	176

Unfortunately the index numbers of this series for later years were not available at the time of writing. The Commercial Intelligence Department, however, has constructed another series of index numbers called "Index Numbers of whole-sale Prices in Calcutta by Groups of Articles", with prices in July 1914 equal to 100. The annual averages for food grains and cotton manufactures for the years 1915 to 1924 are given below : *

	FOOD GRAINS		Cotton manufactures
	Cereals	Pulses	
1914, end of July	100	100	100
1915	115	121	97
1916	106	107	150
1917	92	96	221
1918	110	119	320
1919	63	180	319
1920	154	166	354
1921	145	160	360
1922	137	152	278
1923	114	112	268
1924	123	111	275

The greater rise in the price of cotton manufactures as compared with food grains since 1916 is clearly seen. If we constructed curves showing the fluctuations in the prices of food grains and

* Indian Trade Journal for June 12, 1925.

cotton manufactures between 1910 and 1924, the two curves will cut each other in 1916 and they will have the form of scissors; the curve of cotton manufactures will be below that of food grains till 1916 and then above it.

The index numbers given above are of wholesale prices in Calcutta, but the relation between the prices of food grains and of cotton manufactures would be the same in the Punjab.

Effects of the rise of prices.

In conclusion a few words may be said about the social significance of the great rise in the price of food grains that has occurred since 1861.

Prof. Myles's index numbers of the average price of wheat, barley, jowar, bajra and gram show that prices in 1920 had risen 186 per cent. This does not give us an adequate idea of the extent of the rise of prices since 1861. Prof. Myles's basic period is the decennium 1873—1882, and the average prices in this decennium, as I have already shown, were already 26 per cent. higher than the average prices in the quinquennium 1861—65. As compared with average prices in 1861—65 (equal to 100), prices rose to 391 in 1920, or 291 per cent. Roughly, prices as compared with 1861—65, rose four times in 1920, or the purchasing power of the rupee in terms of food grains in the Punjab was reduced to four annas in 1920.

What is the social significance of the great rise of prices that has taken place in the Punjab?

The rise in the price of food grains is generally regarded as a cause of agricultural prosperity. Some writers even go further and maintain that the income of our large agricultural population cannot be increased "otherwise than by an increase in the price of produce."* It is also obvious that the rise in the price of food grains does not benefit the urban population, and hence the view, which is sedulously encouraged by certain writers in the Punjab, that there is a conflict between urban and rural interests.

The rise in the price of agricultural produce benefits all agriculturists in the sense that they have to sell a smaller proportion of their

* Letter entitled "The Agriculturists and the Prices of Agricultural Produce" by Sardar Jogendra Singi (now Minister of Agriculture in the Punjab) in the *Tribune* of 29th August, 1922.

produce in order to pay the land revenue when prices are high than when they are low. But apart from this, the rise in the price of food grains means very little to small cultivators who produce very little more than what is required for their own consumption. The great rise in prices has enriched large cultivators who have a surplus to sell, not the small cultivators of the Punjab, Captain Dunlop-Smith, Settlement Officer, Sialkot District (1888—95), thus comments on the effects of the rise of prices on cultivators in the Sialkot District:—

“Whatever the exact percentage of the rise in prices may be, it cannot be employed in assessment calculations without considerable qualification. The majority of the landowners in Sialkot are not affected by fluctuations in the prices of food grains, except when they have to buy their seed for harvest. They require every grain they can produce for the support of themselves, their families and their cattle. Even those who have large enough holdings to afford them surplus produce, are benefited to a disproportionately small extent by a rise, those who profit being the middle men and petty traders.”*

On p. 51 of my Essays on Indian Economic Problems, Part I, I have said:—

“... it may be well to remind all those who build nice theories of the prosperity of India's small farmers on very slender evidence of the views of Hassu, a small farmer (Rania village, Moga Tahsil, Ferozpur Dist. of the Punjab) who, when questioned on the subject, said:—

Main bechan tan mehngiyai da savad ac ; dane khane joge nahin honde; sanu mehngiyai da ki savad de.”†

It is important to remember that the Punjab is a land of small peasant proprietors. Large cultivators form a minority of the agricultural population in the Punjab, as in other parts of India.

Those who have seen our villages and how agricultural labourers and *kamins* live, also know very well that these classes of the agricultural community have not benefited by the rise of prices. They live from hand to mouth, and in their case the rise of prices, so far from being a source of gain, is frequently a cause of indebtedness.

* Settlement Report, Sialkot Dist. (1888—95) p. 36.

† “The rise of prices would mean something to me if I had anything to sell. What I produce is not sufficient for my own consumption. The rise of prices means nothing to me”.

We should not forget that the rise of prices, in the long run, must be accompanied by a rise in the cost of cultivation, and that in many cases, when profit can be made by selling agricultural produce at a high price, the mahajan, the middleman and the exporter get the lion's share of it.

The small cultivators of the Punjab, and other parts of India, are poor not because prices are low, or because they do not know which crops to grow and how to grow them. The chief causes of their poverty are two: (a) the constant sub-division of holdings which is continually reducing the size of the average holding, and (b) scattered holdings. A new era in the development of agriculture will begin when scattered holdings are consolidated and when, as our manufacturing industries develop, the proportion of the population dependent upon agriculture begins to diminish. This will be a work of time and labour, but there is no other solution of our agricultural problem. When the question is considered thus, the so-called conflict between rural and urban interests disappears, and the progress and well-being of these two sections of the population are seen to be inter-dependent.

TABLE I

Prices of Food Grains in the Punjab in seers per rupee.

Year	Wheat	Barley	Jowar	Bajra	Gram
1841	23'40				
1842	29'70				
1843	28'35				
1844	27'00				
1845	24'75				
1846	22'05				
1847	21'60				
1848	27'90				
1849	23'18				
1850	26'10				
1851	38'25				
1852	36'00				
1853	31'05				
1854	28'13				
1855	35'10				
1856	29'25				
1857	34'65				
1858	36'45				
1859	36'45				
1860	26'10				
1861	17'46	24'80	22'12	22'87	19'65
1862	26'98	45'23	36'43	32'39	33'70
1863	29'95	48'87	43'71	38'26	41'12
1864	27'49	42'51	33'30	29'30	34'77
1865	21'73	34'72	29'09	26'33	30'09
1866	22'83	35'67	29'34	24'91	30'05
1867	21'07	29'22	26'68	23'56	23'88
1868	16'24	23'59	17'81	16'52	18'80
1869	11'99	18'00	15'56	13'32	10'99
1870	15'84	23'47	23'78	19'48	16'58
1871	21'08	31'91	29'26	22'79	22'37
1872	20'40	29'78	23'57	22'60	21'20
1873	22'18	33'45	30'36	28'16	27'64
1874	22'95	33'58	27'60	24'89	32'14
1875	24'79	35'45	30'66	29'10	32'02
1876	25'97	38'42	33'24	31'04	36'67
1877	23'33	36'63	31'22	28'50	31'79
1878	16'07	24'01	16'66	15'32	16'22
1879	12'92	18'06	15'72	15'27	14'99
1880	14'59	21'70	21'23	17'93	18'13
1881	17'33	26'30	22'21	18'94	21'12
1882	21'37	34'06	30'15	24'28	26'99
1883	22'22	35'98	34'84	29'92	30'76
1884	24'37	36'22	33'08	28'69	32'22
1885	24'91	38'49	34'01	30'38	32'39
1886	19'48	32'40	25'32	21'98	28'85
1887	14'69	21'32	17'48	15'89	21'02
1888	15'62	21'53	19'45	16'57	20'52
1889	10'62	30'36	25'64	20'26	25'56
1890	18'18	27'56	24'21	21'43	22'48

Continued on next page.

TABLE I—(continued).

Prices of Food Grains in the Punjab in seers per rupee.

Year	Wheat	Barley	Jowar	Bajra	Gram
1891	14'91	22'49	17'75	16'32	19'80
1892	13'57	20'69	19'51	15'92	20'24
1893	16'42	26'36	24'41	19'81	25'71
1894	24'21	39'02	31'40	23'63	34'51
1895	19'10	28'68	24'40	20'56	25'17
1896	12'63	16'53	14'78	12'68	15'61
1897	10'42	13'52	11'76	10'39	10'48
1898	16'39	25'46	22'01	19'62	19'14
1899	15'76	22'16	19'75	17'09	17'35
1900	11'98	15'06	12'42	11'94	11'56
1901	15'20	23'76	21'83	20'07	18'25
1902	15'96	22'30	21'62	17'81	19'03
1903	16'42	22'86	21'88	19'82	21'06
1904	17'75	27'12	28'93	23'26	26'18
1905	15'07	23'74	21'62	18'54	20'63
1906	14'62	20'33	15'96	14'04	16'96
1907	13'78	20'36	18'67	17'11	16'35
1908	9'55	13'39	11'38	10'55	10'29
1909	10'15	16'66	15'46	14'28	13'56
1910	12'83	21'30	17'48	16'09	18'17
1911	13'87	20'60	17'86	15'74	18'74
1912	12'18	15'96	13'41	12'39	15'34
1913	11'38	15'92	15'43	12'61	14'38
1914	10'47	14'65	12'26	11'18	11'71
1915	8'80	13'77	10'66	10'22	11'70
1916	10'27	13'50	12'76	10'88	12'12
1917	9'54	13'80	12'60	13'04	11'66
1918	7'89	11'28	7'19	8'36	9'86
1919	6'50	8'96	6'56	5'60	7'02
1920	7'12	10'43	8'64	7'29	7'19

1. The price of wheat from 1841 to 1860 is "adjusted price" (see text).

2. The prices of the five food grains from 1861 to 1905 have been taken from the *Prices and Wages, 23rd Issue*. These are all averages for 21 districts.

3. The prices of the five food grains from 1906 to 1920 have been taken from the *Prices and Wages, 36th Issue*. They are given in the Report in Rupees per maund, and had to be converted into seers per rupee. For wheat and barley the prices given are averages of 23 districts and for jowar, bajra and gram, the averages of 21 districts.

TABLE II
*Index Numbers of Prices. The average of prices
 in 1861-65 = 100.*

Year	Wheat	Barley	Jowar	Bajra	Gram	Average of five grains
1841	106					
1842	83					
1843	87					
1844	92					
1845	100					
1846	112					
1847	114					
1848	89					
1849	107					
1850	95					
1851	65					
1852	69					
1853	80					
1854	88					
1855	70					
1856	85					
1857	71					
1858	66					
1859	65					
1860	75					
1861	142	156	149	130	162	148
1862	72	87	90	81	95	89
1863	83	80	75	75	76	79
1864	90	92	91	102	92	95
1865	114	113	113	113	106	112
1866	106	110	112	120	106	111
1867	117	131	123	126	133	127
1868	152	166	185	180	170	171
1869	206	218	212	224	290	230
1870	156	167	137	153	192	161
1871	117	123	113	131	143	125
1872	121	132	139	132	150	135
1873	111	117	108	106	115	111
1874	108	117	119	120	99	113
1875	100	111	107	102	100	101
1876	95	102	99	96	87	96
1877	106	107	105	105	100	105
1878	154	163	198	194	197	181
1879	191	217	210	195	213	205
1880	169	181	155	156	176	169
1881	143	149	148	157	151	150
1882	116	115	106	123	118	116
1883	111	109	95	100	104	104
1884	101	108	100	104	99	102
1885	99	102	97	98	98	99
1886	127	121	130	136	111	125
1887	169	184	188	188	152	176
1888	158	182	169	180	155	169
1889	126	129	129	147	125	131
1890	136	142	136	139	142	139

Continued on next page.

TABLE II—(continued.)

*Index Numbers of prices. The average of prices
in 1861-65 = 100.*

Year	Wheat	Barley	Jowar	Bajra	Gram	Average of five grains
1891	166	174	186	183	161	174
1892	182	190	169	187	157	177
1893	151	149	135	150	124	142
1894	102	101	105	126	92	105
1895	124	137	135	145	127	135
1896	196	237	223	235	204	219
1897	237	290	280	287	304	280
1898	151	154	150	152	167	155
1899	157	177	167	174	184	172
1900	206	260	265	249	276	251
1901	163	165	151	149	175	161
1902	155	176	152	167	168	164
1903	150	172	151	150	151	155
1904	140	145	114	128	122	130
1905	164	165	152	161	154	159
1906	169	193	206	212	188	194
1907	179	193	176	174	195	183
1908	259	293	289	283	310	287
1909	244	236	213	209	235	227
1910	193	184	188	185	175	185
1911	178	190	184	189	170	182
1912	202	246	246	241	208	220
1913	217	246	213	236	222	227
1914	236	268	269	267	272	262
1915	281	285	300	292	272	288
1916	241	291	258	274	263	265
1917	259	284	261	229	273	261
1918	313	348	458	357	323	360
1919	380	438	502	532	454	461
1920	347	376	381	409	443	391

TABLE III.
Punjab Food Prices. Moving averages.

Year	Average price of the five food grains as a percentage of their average price from 1861 to 1865.	AVERAGES.				
		Three yearly.	Five yearly.	Seven yearly.	Ten yearly * (centred.)	Twenty yearly * (centred.)
1861	148					
1862	89	105				
1863	79	88	105			
1864	95	95	97	109		
1865	112	106	105	112		
1866	111	117	125	132	131	
1867	127	136	150	144	133	
1868	171	176	160	148	136	
1869	230	187	163	152	139	
1870	161	172	164	152	139	
1871	125	140	152	149	138	134
1872	135	124	129	140	136	134
1873	111	120	118	121	136	136
1874	113	109	112	113	135	136
1875	104	104	106	121	134	136
1876	96	102	120	131	136	136
1877	105	127	138	139	136	138
1878	181	164	151	144	135	139
1879	205	185	162	146	134	137
1880	169	175	164	147	133	133
1881	150	145	149	147	134	134
1882	116	123	128	135	139	136
1883	104	107	114	124	142	138
1884	102	102	109	125	138	139
1885	99	109	121	127	133	139
1886	125	133	131	129	133	143
1887	176	157	140	134	137	151
1888	169	159	148	145	142	155
1889	131	146	158	156	144	153
1890	139	148	158	158	146	154
1891	174	163	153	148	152	157
1892	177	164	147	143	163	158
1893	142	141	147	156	168	161
1894	105	127	156	176	169	163
1895	135	153	176	173	177	165
1896	219	211	179	173	182	168
1897	280	218	192	185	180	170
1898	155	202	215	182	180	173
1899	172	193	204	200	182	178
1900	251	195	181	191	185	182
1901	161	192	181	170	185	183
1902	164	160	172	170	179	185
1903	155	150	154	173	180	188
1904	130	148	160	164	190	194
1905	159	161	164	182	189	202

Continued on next page.

TABLE III—(continued.)
Punjab Food Prices. Moving averages.

Year	Average price of the five food grains as a percentage of their average price from 1861 to 1865.	AVERAGES.				
		Three yearly.	Five yearly	Seven yearly.	Ten yearly *(centred.)	Twenty yearly *(centred)
1906	194	179	191	191	187	207
1907	183	221	210	195	191	208
1908	287	232	215	202	198	212
1909	227	233	213	212	208	225
1910	185	198	222	217	221	235
1911	182	199	210	227	231	
1912	229	213	217	229	239	
1913	227	239	238	234	246	
1914	262	259	254	245	262	
1915	288	272	261	270	284	
1916	265	271	287	307		
1917	261	293	327	327		
1918	360	361	348			
1919	461	404				
1920	391					

Centred by means of a two yearly moving average

TABLE IV

Price of Wheat. Moving averages.

Year.	Price of wheat as a percentage of the average price in 1861-65.	Averages.	
		Ten yearly *(centred).	Twenty yearly *(centred).
1841	106		
1842	83		
1843	87		
1844	92		
1845	100		
1846	112	97	
1847	114	94	
1848	89	93	
1849	107	92	
1850	95	91	
1851	65	88	88
1852	69	84	89
1853	80	81	90
1854	88	78	89
1855	70	76	90
1856	85	80	90
1857	71	85	90
1858	68	86	92
1859	68	87	96
1860	95	89	100
1861	142	92	103
1862	92	96	105
1863	83	102	107
1864	90	113	109
1865	114	123	110
1866	108	125	111
1867	117	125	112
1868	152	128	115
1869	206	130	120
1870	156	131	125
1871	117	129	127
1872	121	128	128
1873	111	128	129
1874	108	127	130
1875	100	127	130
1876	95	129	130
1877	106	130	132
1878	154	130	133
1879	191	129	131
1880	169	129	129

Continued on next page

TABLE IV—(continued.)

Price of wheat. Moving averages.

Year.	Price of wheat as a percentage of the average price in 1861—65	Averages.	
		Ten yearly *(centred).	Twenty yearly *(centred).
1881	143	130	129
1882	116	135	132
1883	111	138	135
1884	101	135	135
1885	99	130	136
1886	127	130	139
1887	169	134	145
1888	158	140	148
1889	126	142	147
1890	136	143	147
1891	166	148	149
1892	182	155	150
1893	151	158	152
1894	102	159	154
1895	129	164	157
1896	196	168	159
1897	237	166	161
1898	151	165	164
1899	157	167	169
1900	206	170	173
1901	163	171	175
1902	155	167	176
1903	150	169	178
1904	140	179	183
1905	164	183	190
1906	169	183	195
1907	179	186	197
1908	259	191	202
1909	244	200	211
1910	193	210	220
1911	178	220	
1912	202	227	
1913	217	234	
1914	236	244	
1915	281	258	
1916	241		
1917	259		
1918	313		
1919	380		
1920	347		

* Centred by means of a two-yearly moving average.

TABLE V

Prof. Myles's Index Numbers of Punjab Food Grain Prices

Year	Average price of wheat, barley, bajra, jowar and gram as a percentage of their average price from 1873 to 1882.	AVERAGES		
		Ten yearly.	Fifteen yearly.	Twenty yearly * (centred).
1	2	3	4	5
1861	109			
1862	67			
1863	59			
1864	71			
1865	83	98		
1866	83	96		
1867	94	100		
1868	126	102	94	
1869	169	103	92	
1870	119	103	93	
1871	93	102	98	100
1872	100	100	103	100
1873	82	101	106	101
1874	84	99	108	102
1875	77	100	107	102
1876	72	101	104	101
1877	78	102	98	102
1878	134	100	95	103
1879	151	99	95	101
1880	125	99	97	99
1881	111	101	100	100
1882	86	106	100	101
1883	78	105	102	103
1884	77		106	103

Continued on next page.

TABLE V—(continued.)

Prof. Myles's Index Numbers of Punjab Food Grain Prices

Year	Average price of wheat, barley, bajra, jowar and gram as a percentage of their average price from 1873 to 1882	AVERAGES		
		Ten yearly	Fifteen yearly	Twenty yearly * (centred).
1	1	3	4	5
1885	74	99	109	103
1886	93	97	107	106
1887	130	99	103	112
1888	124	103	101	114
1889	97	106	104	113
1890	103	106	112	114
1891	128	109	115	116
1892	130	115	118	117
1893	105	121	125	118
1894	78	122	127	120
1895	99	125	126	121
1896	161	133	126	124
1897	205	132	125	125
1898	114	131	126	127
1899	126	132	127	130
1900	184	134	127	133
1901	118	135	134	134
1902	120	133	140	135
1903	115	126	143	138
1904	95	136	141	142
1905	117	140	138	148
1906	141	135	142	151
		136		

Continued on next page.

TABLE V—(continued.)

Prof. Myles's Index Numbers of Punjab Food Grain Prices.

Year.	Average price of wheat, barley, bajra, jowar and gram as a percentage of their average price from 1873 to 1882.	AVERAGES.		
		Ten yearly.	Fifteen yearly.	Twenty yearly * (centred).
1	2	3	4	5
1907	133		146	152
1908	209	141	148	155
1909	166	146	153	164
1910	135	156	158	172
1911	133	165	167	
1912	167	170	183	
1913	166	176	195	
1914	191	182		
1915	210	199		
1916	194	214		
1917	191			
1918	263			
1919	336			
1920	286			

* Centred by means of a two-yearly moving average.

TABLE VI

Punjab Food Prices (in seers per rupee).*

Year	W h e a t	Adjusted † price.	Gram	Barley	Jowar
1841	26	23'40	29	36	41
1842	33	29'70	38½	44½	37½
1843	31½	28'35	37½	45½	43½
1844	30	27'00	37	43½	37½
1845	27	24'75	34	38½	37½
1846	24½	22'05	28	34	31½
1847	24	21'60	29½	34	35
1848	31	27'90	32½	39	28½
1849	25½	23'18	24½	33	31½
1850	29	26'10	35	45	41
1851	42½	38'25	50	61½	51
1852	40	36'00	44½	56	51
1853	34½	31'05	49	52	39½
1854	31½	28'13	40½	45½	44½
1855	39	35'10	56½	59	57½
1856	32½	29'25	47	50½	51½
1857	38½	34'65	51½	55	51
1858	40½	36'45	53	58	52
1859	40½	36'45	49½	60	48½
1860	29	26'10	33	40	30½

* Taken from the diagrams given in the Punjab Administration Report for 1874-75.

† Adjusted by reducing the figures given in the previous column by 10 per cent. in each case (see text).

TABLE VII

Index Numbers of the retail price of wheat.
Price in 1873 equal to 100.

Year	Index Nos. for India of the Commercial Intelligence Department	Author's Index Numbers for the Punjab
1861	86	127
1862	73	82
1863	80	74
1864	102	81
1865	115	102
1866	129	93
1867	101	105
1868	96	137
1869	148	185
1870	136	140
1871	90	105
1872	98	109
1873	100	100
1874	94	97
1875	81	89
1876	78	85
1877	102	95
1878	147	138
1879	158	172
1880	118	152
1881	96	128
1882	101	104
1883	103	100
1884	91	91
1885	89	89
1886	103	114
1887	121	151
1888	123	142
1889	118	113
1890	117	122

Continued on next page.

TABLE VII—(continued.)
Index Numbers of the retail price of wheat.
Price in 1873 equal to 100.

Year	Index Nos. for India of the Commercial Intelligence Department	Author's Index Numbers for the Punjab.
1891	137	149
1892	151	163
1893	127	135
1894	105	92
1895	116	116
1896	153	176
1897	206	213
1898	143	135
1899	140	141
1900	176	185
1901	160	156
1902	142	139
1903	129	135
1904	123	125
1905	142	147
1906	155	151
1907	168	161
1908	226	232
1909	203	219
1910	170	173
1911	153	160
1912	170	182
1913	177	195
1914	200	212
1915	227	252
1916	193	216
1917	205	233
1918	270	281
1919		340
1920		312

A PARLIAMENT OF INDUSTRY

BY

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Modern democracy works through political representation of the people. This has naturally meant that the determination of policy in any department of statecraft does not lie with experts but with laymen. But a healthy custom has grown up in almost all democratic countries, by which the legislature and the executive act on the advice of experts. But as yet few constitutions recognize experts as such forming a part of them. In Germany, after the revolution of 1919, this principle has been accepted as part of the constitution. This could be so because, unlike most other democratic countries, Germany had a constitution which was based on estates or vocational or group representation. Thus has grown the *Reichswirtschaftsrat* or the Federal Economic Council of Germany*. The formation of this Council has been facilitated by many social factors. The country was being rapidly industrialized, and organizations representing the special groups of workers in a craft or profession had developed. These associations were frequently local but as frequently affiliated to a federal or central association. In this way almost all interests were organized including the liberal professions.

An important feature of German industrialization before the War was the very great power of the industrial magnates organized mostly into *kartels*. The trade unions were not recognized by them. Naturally there was great antagonism between the employers and the employed, which was accentuated by political conflict. But the revolution of 1919 was a revolt of the people against the old system. Also Germany became, after the War, too weak to afford such an internal dispute. Thus a *rapprochement* came about. In October 1918, the employers recognized the trade unions, and agreed to set up joint and equal (*paritatisch*) arbitration boards. As a preliminary to this, wage contracts had to be concluded. On December 12th, 1918, was formed the first industrial alliance. Such alliances grew

*Herman Finer, *Representative Government and a Parliament of Industry*.

rapidly and by 1920 in almost all industries joint and equal boards had been set up. Thus was laid the foundation of a parliament of German industries.

The idea had already been given a definite form by Wichard von Mollendorff in 1916*. Direction to the movement was for a time given by the Bolshevik theory of the workers' councils, which in Germany became primarily economic but built up not so much on territorial as on vocational basis. The revolution of 1919 accepted the moulding factors and gave self-government to the German Industries. This could be done so easily because the revolution had cleared the way by a complete breakdown of the old principles of political and industrial government. For a time there was indeed a disruptive tendency when councils of soldiers, workers, and peasants arose on all sides, with conflicting aims and confused ideas. The Spartacists urged them to retain the power of self-government thus obtained. When yet the separatist tendency was thus so pronounced in the country, fortunately for Germany the decision was taken in favour of a National Constitutional Assembly. Thus the federal but consolidated system of government was retained. This gave direction to the Councils which also grew along federal lines.

When the political revolution was in progress the ideas of Wissell and Mollendorff were maturing. The basic idea was that the economic process in its general lines should be directed by a single authority, for the benefit of the whole community, according to a consciously prepared scheme, with the workers having their share in the management. Thus greater prominence was given to the principles of social interest than to the hitherto accepted principle of individual interest. In the words of Wissell, "the structure shall found itself upon self-governing bodies in which the workers sit equally empowered with the employers, and at the head of it there shall be a Federal Economic Council"†. As Secretary of State for Economic Affairs, he decided to utilize the existing councils in building up this Federal Council. Thus the great struggle between political revolution and economic reform, which for a few months threatened to disrupt Germany, ended in the formation of the great Council. On March 5th, 1919, the Government declared in favour of the workers' councils in the following terms:—

**Deutsche Gemeinwirtschaft*.

†Rudolf Wissell, *Praktische Wirtschaftspolitik*.

- "(a) The Workers' Councils are recognized in principle as representative of economic interests and incorporated in the Constitution. Their jurisdiction, mode of election, and duties shall be determined by a special law to be enacted immediately.
- "(b) In individual undertakings Workers' Councils, composed of workers and salaried employees, shall be elected to co-operate, with equal rights, in the regulation of the general conditions of work.
- "(c) For the control and regulation of the production and distribution of commodities Industrial Alliances shall be established in every branch of industry and trade, in which employers and managers, workers and employees and employers' and workers' organizations shall participate.
- "(d) For prescribed territorial districts District Labour Councils, and for the whole Empire a Central Labour Council, shall be constituted. In the District and Central Labour Councils all persons performing labour, and also the employers, liberal professions, etc., shall be represented. These Councils shall co-operate in measures of socialization, and shall be appointed to the control of socialized enterprises and branches of industry. Further, they shall supervise the application of all industrial and social legislation, and shall have the right to propose such legislation. The Imperial Government will consult the Central Council before the introduction of any economic or social legislation."

Thus the Imperial Parliament retained its supremacy and yet conciliated the existing Councils by recognizing them as part of the constitution.

The above declaration was embodied in Article 165 of the German Constitution passed on August 11th, 1919, which stands as follows:—

- (a) "The workers and salaried employees shall be called upon to co-operate, with equal rights, with employers in the regulation of wages and conditions of labour, and also in economic development in general.

- (b) "For the protection of their social and economic interests, workers and salaried employees shall be legally represented in Workers' Councils established for individual undertakings, and also in District Workers' Councils grouped in connection with economic districts, and in a Federal Workers' Council.
- (c) "The Districts Workers' Councils and the Federal Workers' Council shall combine with representatives of employers and other classes of the population concerned in the composition of District Economic Councils and a Federal Economic Council for the performance of general economic functions and for the purpose of co-operation in carrying out laws relating to socialization. The District Economic Councils and the Federal Economic Council shall be so constituted that all important vocational groups shall be represented thereon according to their economic and social importance.
- (d) "All bills of fundamental importance dealing with matters of social and economic legislation shall, before being introduced, be submitted by the Federal Government to the Federal Economic Council for its opinion. The Federal Economic Council shall have the right itself to propose such legislation. In cases where the Federal Government is not in agreement with any such proposal, it shall nevertheless be bound to introduce it into the Reichstag, accompanied by a statement of its view thereon. The Federal Economic Council may arrange for any such proposal to be supported in the Reichstag by one of its members.
- (e) "Powers of supervision and administration in any matters within their jurisdiction may be conferred upon the Workers' Councils and the Economic Councils.
- (f) "The regulation of the composition and functions of the Workers' and Economic Councils and of their relations with other organs of social self-government shall be within the exclusive jurisdiction of the Federal authorities."

Prolonged negotiations went on for several months, and the Decree of May 4th, 1920, created the Federal Economic Council. The

final composition varied somewhat from the original Government project of December, 1919, as can be seen from the following table showing the representation of the groups in the Council :

Group.	Final.	Per cent.	December.	Per cent.
I. Agriculture and forestry ..	68	20·86	46	23
II. Gardening and fishing ..	6	1·84		
III. Industry	68	20·86	46	23
IV. Commerce, banking insurance	44	13·19	30	15
V. Transport and public undertakings	34	10·43	14	7
VI. Handicrafts	36	11·04	10	5
VII. Consumers	30	9·20	20	10
VIII. Officials and liberal professions	16	4·90	12	6
IX. Reichsrat nominees ..	12	3·69	10	5
X. Government nominees ..	12	3·69	12	6
Total ..	326	100	200	100

Thus the Federal Economic Council embraces practically all the economic interests within the country. The representatives of Groups I—V above are equally divided between the employers and the employed. Its position in the constitution has made it a governmental body and yet it is not, as after Soviet Russia at one time it wanted to be, an independent body usurping all political functions. Its power is definitely fixed and is very important. Article 11 of the Decree of May 4th, 1920, says: "Socio-political and economic-political legislative projects of fundamental importance shall be laid before the Federal Economic Council by the Government, before their introduction, for advice. It has the right to initiate such legislative projects itself." In cases of decisions by majorities a new rule has been introduced by which there shall be a voting by groups as well as a voting by heads, so that the Government may know the qualitative significance of the votes cast on any measure.

The great advantage of the new scheme is that it secures proportional representation according to interests without its defect in political life where it throws the elector into the hands of the party

machine and compels him to vote for starred lists of candidates. But it has many defects as well. The most important is the regional division of the country for the District Economic Councils. The divisions for purposes of local government have been found to be inadequate, and it is very difficult to change them.

On the whole there is no doubt that this new experiment has been leading towards a solution of the most delicate and complex question in the industrial system as it has developed since the industrial revolution. It secures self-government to the groups without any disruptive force like that in Russia. It secures a balance of different economic interests at the same time that it primarily emphasizes social interest and tends to keep in check individual interest so far as it runs counter to the former. It is based upon, and it encourages, local organizations for every kind of economic activity while the hierarchy of Councils seeks to ensure a proper perspective in the national pursuit along the divergent and often conflicting lines of its economic life.

The German system has indirectly stimulated interest in other parts of the world. The International Labour Organization is grouping towards the same goal although its outlook is yet primarily that of the trade union*, and, for that reason, it has so far failed to interest the consumer and to conciliate the producer. In Great Britain the idea has been pushed further than elsewhere in Europe outside Germany. In 1920 Mr. and Mrs. Webb suggested a Social Parliament different from the National Parliament,† which is indeed impracticable but which shows a proper grasp of the important problem. The Provisional Joint Committee of Industrial Conference, 1919, recommended a National Industrial Council consisting of four hundred members, one-half to be elected by the employers' organizations and the other half by the trade unions‡. Although nothing has yet come out of it the Constitution of the Irish Free State provides that "the Parliament may provide for the establishment of Functional or Vocational Councils representing branches of the social and economic life of the nation". In the United States of America the Reconstruction Congress of American Industrialists (December,

* Lady Oliver, *The World's Industrial Parliament*.

† *A Constitution for the Socialist Commonwealth of Great Britain*.

‡ Vide Report, Cmd. 501 of 1920.

1918) recommended "adequate representation of the parties in interest"

The application of self-government to industry must be developed "at three distinct levels in the industrial world : in the individual factory or mine, for the avoidance of hardships and the adjustment of discipline without friction; in particular industries as a whole, for the definition of wage rates, the hours and conditions of labour, the methods of profit-sharing or payment by results, and the treatment of the problems of security ; and, finally, in the field of industrial policy as a whole, for the co-ordination of the policies pursued by particular industries, and for the relief and guidance of Parliament and the Government " *.

India is far away from such a complex and thorough organization. But such a parliament of industry is so far the only solution offered against class war, class exploitation, and democratic rule by laymen. As India grows industrially the problem will become more important, and it may help a proper solution of the question if we keep before us the means and methods applied with great success in other parts of the world. In India too there are groups, sometimes caste, sometimes otherwise vocational. If it be felt that the group system, whether hereditary or not, is too deep-seated in the social polity to be easily altered, it may not be fruitless for us to consider whether what has been found good for another type of group system is or is not suitable for the approaching problem in India. If we find the principle applicable to India, it is worth our while to devote some thought in working out the details in applying it to the problem in India and find out the necessary modifications in its operation on the Indian soil. It is, therefore, with the object of stimulating thoughts along these lines that I have attempted to deal with some of the prominent features of this novel organization of Germany.

* Ramsay Muir, *Politics and Progress*.

AN ECONOMIC SURVEY IN MYSORE MALNAD

PROFESSOR S. KESAVA IYENGAR, M. A., F. R. E. S., of H. E. H. The Nizam's College, Hyderabad (Deccan), a member of the Indian Economic Association, was in charge of an Economic Survey organised by the Government of Mysore early in 1925. The tract surveyed was the Malnad—a region consisting of three districts hilly in relief and rather inclement in climatic conditions. The Survey was planned to occupy six months. The primary object of the Survey was to find out the feasibility or otherwise of a set of land mortgage banks in the area (with a view to liberate the cultivating population from the clutches of the powerful money-lenders), but other aspects of life having an economic bearing were also included. The Economic Survey Officer was assisted by two officers—one from the Agricultural Department, the other from the Medical Department. An intensive survey of 562 families comprising the population of nine villages in different parts of the three districts, was supplemented by an examination of representative witnesses of various classes, by a scrutinisation of official statistics, and by extensive touring in order to find out trade methods and communication facilities and similar data.

A Preliminary Report was submitted by the Economic Survey Officer in May 1925, and an Additional Report, in July 1925. In September 1925 the Mysore Government appointed a mixed Committee to consider the recommendations of the Economic Survey Officer, with the Member of Government in charge of the portfolio (Mr. K. Chandy) as Chairman. This Committee submitted its Report in January 1926, supporting among other suggested organisations the inauguration of three District Land Mortgage Banks and the creation and maintenance of a Record of Land Rights. Final orders of Government on the Reports of the Economic Survey Officer and the Chandy Committee, are expected to issue shortly.

EDITORIAL NOTE.

We are glad to publish the following letter and questionnaire on Indian Banking in the hope that some of our readers may answer the questionnaire or any of the questions on which they have special knowledge. The subject has special interest in view of the enquiry into Indian Banking recently suggested in the Legislative Assembly.

We also have much pleasure in inviting the attention of our readers to the letter from the Editor of the NATIONAL MUNICIPAL REVIEW, New York, and hope it will meet with the response required. It is encouraging to find that a growing interest is being taken in the United States in Indian problems in general and economic problems in particular. We, therefore, welcome this opportunity of lending our co-operation to the study and research of Indian Economic problems in the Universities and other institutions of the United States.

Mg. Editor

ECONOMICS DEPARTMENT

UNIVERSITY OF ALLAHABAD,

Dated the 9th March, 1926.

Dear Sir,

I hope you will be good enough to pardon the liberty I am taking in addressing the accompanying *Questionnaire* on '*Indian Indigenous Banking*' to you.

I am making a special study of this subject and am very shortly proceeding to England to complete my work under the direction of the Professors of the London School of Economics and am therefore seeking for help and assistance, in order to make, as comprehensive a survey of the problem as my limited time and energies would permit me.

I am inspired to seek for your help and guidance, because I feel that the knowledge and experience at your disposal would be invaluable to me in my study. I need hardly say that I shall be deeply grateful for any assistance that you may be pleased to render me.

I am conscious that I am making a very big demand on your time and energies, and so I would request you to help me in any part of the *questionnaire* that you can, without putting yourself to much labour or inconvenience.

I may assure you that the source of the information you are good enough to supply will not be given out without your express permission. I will also treat as strictly confidential any information you may desire to give me on that condition, and it will not be published.

I shall be obliged if you could kindly send me a reply at your earliest convenience as I hope to be leaving India by the end of April.

Yours truly,

L. C. JAIN, M. A.,

Lecturer in Currency & Banking and Statistics,

University of Allahabad

QUESTIONNAIRE

INDIGENOUS BANKING IN INDIA

N. B.—Kindly Note the use of the following terms which will be observed throughout the Questionnaire.

A *bunker* means any individual or private firm which either receives deposits or deals in hundis or both.

A *money lender* means any individual or private firm which lends, but does not usually receive deposits or deal in hundis.

Indigenous Banking includes all the ordinary transactions of private bankers and money-lenders in India, but excludes the operations of Joint Stock Banks and Co-operative Credit Societies.

PART I

1. What are the functions of a money-lender or banker in your part of the country? Enumerate all the kinds of business which he transacts.

2. How and to what extent does a money-lender or banker of your region assist in financing the following :—

- (1) industries, (a) factory, (b) cottage,
- (2) agriculture,
- (3) internal trade,
- (4) external trade.

3. Describe the organisation of the money-lenders and bankers of your region with regard to (a) the size of their business; (b) the inter-connection, if any, of one unit or house with other units, houses or banks, agents or correspondents within the country or outside; (c) the extent of such connections and (d) their business relations with Joint Stock Banks or Co-operative Credit Societies.

4. State and describe the various methods of an indigenous banker in (a) granting loans, (b) allowing cash credits, (c) receiving deposits on interest, (d) transferring money from one place or person to another (use of cheques or notes or hundis—drawing, discounting and accepting, etc.) and the extent of the use of each in the town and district separately. Give reasons, if possible, for these differences in the use of different credit instruments.

5. What are the various forms of hundis used?

6. What place does the hundi take in the modern money market, especially in Indian States?

7. What are the special features of agricultural loans? What are the rates of interest in the case of such loans? Are there any Co-operative Credit Societies in your town or district?

8. What are the conditions and causes of indebtedness in your town and district? For what purposes are the loans asked? Who are the usual borrowers?

9. What are the various rates and forms of interest prevailing in your town and district for other than agricultural loans on different kinds of securities—movable or immovable? Explain the nature of these securities.

10. Could you kindly procure a series of rates of interest kept monthly or yearly going back for as many years as possible? In giving such rates of interest, please state the nature of securities to which a particular series relates.

11. What were the minimum and maximum rates between which interest fluctuated in accordance with the nature of security during 1924 and 1925? What are the causes of the difference?

12. Are the rates of interest subject to seasonal fluctuations? If so, in what manner and why? If possible, please give a table of fluctuations.

13. Is there any relation between the private rate of interest and the rate of the Imperial Bank of India? How does the one influence the other?

14. Beside the interest, do the debtors have to pay something as a present (नज़राना), पैकी का कुछ चुकाई etc.? Please enumerate and explain all these kinds of petty payments with their respective amounts.

PART II

15. What are the castes of the persons engaged in indigenous banking in your town and district? Have they any special local trade names and do they form a class or caste of their own?

16. Name the principal private banking houses, if any, in your locality. For how many years and generations have they uninteruptedly continued?

17. Is it a fact that very few Mahomedans are bankers and that they do not usually take or give interest on deposits and loans ?

18. Are your bankers exclusively devoted to the business of banking ? If not, what other businesses do they combine with it ? Are these primary or secondary ? Are there many who devote their time entirely to banking or money-lending ?

19. Could you possibly supply some statistics relating to the amount of capital invested in indigenous banking by individuals or firms in your region ?

20. Would you kindly procure sample copies of any written documents or deeds used in connection with indigenous banking in your locality such as hundis, promissory notes, receipts for deposits, etc. ? Please explain the terms and abbreviations used, if you think necessary.

21. Are there any transactions in which written documents are not used, but verbal statements have the force of contracts ? If so, could you kindly write out the statements usually made ? Is this generally done in the presence of one or more witnesses ?

22. Describe the indigenous system of keeping accounts and calculating interest. State any special points of merit or defects in the system.

23. Do you know of any secret trade language, proverbs and anecdotes concerning indigenous bankers which may be of interest ?

24. Have you noticed any changes or modification in the indigenous system of banking due to (a) English system of banking, (b) modern methods of commerce or (c) any other cause ?

25. In what manner have the changes referred to in Q. 24 affected the position of the indigenous banking system in India ? Could you suggest ways in which it could be improved, organized and consolidated ?

25. Please suggest the sources of information on the subject of indigenous banking in India such as manuscripts, books, pamphlets, articles in any language and names of persons who are likely to possess special knowledge of the subject.

27. Any other suggestions or information that you may be pleased to offer will be gratefully appreciated.

261 BROADWAY, NEW YORK, N. Y.

Feb. 26, 1926.

To

Managing Editor,
Indian Journal of Economics,
University of Allahabad, India.

Dear Sir,

We have been following with much interest, so far as we have been able with the limited sources available, the development of municipal government in India, particularly in the important cities such as Bombay and Calcutta. A recent copy of the Calcutta Municipal Gazette reports the manifesto of the Nationalist municipal party of Bombay which is only partly intelligible to us because of our ignorance of the system of government in Bombay.

Another interesting item not long ago related to the detention in jail of the chief executive officer of Calcutta, evidently because of his political efforts.

I am therefore writing to ask you if you will not ask someone familiar with the form of municipal government in the larger cities to prepare an article for the NATIONAL MUNICIPAL REVIEW. We should like to have it describe the form of government, particularly the recent changes and the success with which the present form is functioning. We should also like to know how the more recent changes failed to meet the demands of the Nationalists and what would be the probable results if the changes which they demand were adopted.

We are writing to you because we know of no one qualified to prepare the article. We read with much interest the "Indian Journal of Economics" and feel sure that some person of your acquaintance must be interested in the subject of municipal government in India and be willing to write an article for us. If you will undertake the service of securing the consent of such a person it will be deeply appreciated.

If, at any time, we can reciprocate by similar services in this country we shall be glad to do so.

Faithfully yours,

H. W. DODDS

Editor,

NATIONAL MUNICIPAL REVIEW.

REVIEWS OF BOOKS

RELATING TO INDIA

A National System of Taxation. By A. RAMAIIYA, M. A., R. S. MAHADEVA IYER, 1110, Naiek New Street, Madura, 1924. Pp. 375.

The increased expenditure of modern Governments, caused by the steady expansion of the province of the functions of public authorities and by the huge burdens thrown on national resources by war destruction, has drawn, in recent years, the growing attention of statesmen and scholars to the problems of taxation and the theories underlying them. Administrators and citizens who have anything to do with public expenditure, have now to study carefully systems of taxation and the social and political consequences of their working as they seldom did before. And this is true as much of India as of foreign countries. A knowledge of the theories, which govern the existing methods of taxation and ought to guide the improvement thereof, has become specially essential to our politicians and administrators in this country, and we, therefore, welcome the handy and readable volume on "A National System of Taxation" recently brought out by Mr. A. Ramaia of Madura. The book gives evidence of the patient study which the author has made of the works of western scholars bearing on the subject, and his statements of various theories and his summaries of the different views held on them are lucid and instructive.

One merit of the book lies in the fact that its author has steadily and clearly kept before his eye the *raison d'etre* of the State and the fundamental relation between its proper functions and the far-reaching effects of the taxes it levies and collects from the people. He has considered every tax and an ideal system of taxation, as a whole, from this point of view; and has usefully attempted a reconciliation of the sacrifices of tax-payers and the methods of the tax-gatherers. Mr. Ramaia's treatment of his subject is systematic and peculiarly helpful to the uninitiated, as it lends the reader from theory to practice in a natural and an easy way. The value of the book must lie, in a large measure, in the application of theory to Indian conditions, which has been attempted in appropriate places. A book which tries to deal with important theories of taxation as they have been evolved by western scholars, could not, of course, be expected, to discuss the Indian system of taxation in detail or at adequate length, as one would have liked. All the same, the book is eminently suggestive and thought-provoking.

Mr. Ramaiya's book is, however, open to one or two important and inevitable criticisms. The long extracts taken from the writings of other authors, which have been rather lavishly spread over many pages of the book, could conveniently have been omitted and the space might have been utilised to better purpose. What is more serious is the rather superficial manner in which the Indian system of taxation has been handled. His comments on the Indian system of taxation are sometimes of the milk and water type, pointless and inconclusive. For instance, he quotes with apparent approval, from an article from an Indian weekly paper, stinging remarks on the spendthrift policy of the Government of India which threatened national bankruptcy, and only adds:—"If there is any truth in these remarks, the Government of India have specially to guard themselves against indiscriminate borrowing and thus paving the way for the country's financial ruin". The problem of the financial future of India appears to the author as at once easy and difficult. It is difficult because the best interests of India are likely to clash with those of the foreign country which dominates this Dependency, and it is easy because once an amicable arrangement is arrived at between the two countries by the practice of give and take, all will be smooth sailing. An illustration of the very weak grasp the author appears to have on the requirements of India is to be found in his treatment on the question of customs duties. He proposes protective and restrictive duties without having careful regard for the productivity of the taxes and their effect on indigenous industries. He wants sufficiently high protection for industries connected with sugar, cotton, leather, glass, soap and superior paper and stationery, and would allow the free import of such articles as matches, coal, building materials, inferior paper and stationery. He forgets the fact that indigenous industries connected with the latter class of commodities have been clamouring for protection. The ideas of the author have been largely influenced by the writing of foreign writers and he has not made sufficient allowance for the peculiarity of Indian conditions in advocating modifications of the tax system of this country. He has indeed uttered a warning against sudden and radical changes and wants the statesman to march steadily towards the goal of theoretical perfection. But take his proposals regarding the nationalization of land and the taxation of agricultural incomes. His application of the theory of the amortization of values to Indian land revenue does not yield results that are true to facts. The investment of capital in land in India is, in a large number of cases, not subject to the business considerations which govern investment in non-agricultural industries. The cases of petty peasants who have to pay land revenue, whatever their actual income and of bigger landlords who are taxed to the

extent of 50 per cent. of their rent collections, would have to be more carefully considered than has been allowed by the author if the problem is to be dealt with with any degree of satisfaction. The book has no index.

V. G. KALE.

"Economic Aspect of The Indian Rice Export Trade." By S. A. LATIF. Dass Gupta & Co., Calcutta, 1923. Pp. 83.

A very interesting (and a highly debatable) question has been raised in his brochure on the economic aspect of the Indian rice export trade by Mr. S. A. Latif of the Bengal Civil Service. The main contention of the booklet is that the total outturn of rice in India, excluding Burma, is insufficient for the primary needs of the population of the country, that export of the crop raises prices to the consumer and makes serious inroads on the necessities of life of the people of the bulk of the country and that, therefore, Government must conserve the supplies of that important food stuff by controlling and restricting its export. It is indeed a fact that the annual outturn of food crops in India is not so over-abundant as to allow a surplus to be profitably taken off and the ample statistics which have been given by Mr. Latif, leave no doubt about the fact that export is bound to cut into the supply essential for internal consumption. The Prices Enquiry Committee appointed in 1920 in pursuance of a resolution passed by the Bengal Legislative Council reported that in Bengal export was the principal factor which kept up the high prices of food stuffs. The principal objection to the stoppage of the export of food stuffs is the resulting depression of prices and the consequent loss to producers. Government in India has always taken this view though it was constrained to restrict exports during war time and post-war years to remedy the evils arising from the abnormally high prices that ruled in the Indian markets. Commenting on the report of the above committee, the Government of Bengal observed that a large surplus of rice did notoriously exist in that Province and that restriction of its export would injuriously affect the cultivators who have any stocks to dispose of and that "any artificial measure tending to reduce the price of food grains must in the long run tend to discourage production by inducing the cultivator to take to the cultivation of commercial crops yielding a higher profit."

Restriction of ordinary exchange by artificial measures is certainly to be deprecated and will no doubt adversely affect the interests of producers of crops that have a surplus to dispose of. But the investigation of this question must be accompanied by an enquiry into the real existence of a surplus and its size and also the probable favourable effect of restriction on

the costs of production and the general cost of living in the country. It may be argued that the total export of food products bears an insignificant ratio to the total output and that its effect on prices must be negligible. The export of rice from India may be taken to be about 6 to 7 per cent. of its total production in the country and more than 60 per cent. of the total export of food stuffs. In the rice-consuming Provinces, even this small export is of vital importance. Cheap food is an important desideratum in every country and the problem of the prohibition or restriction of the export of food stuffs must be carefully investigated. Mr. Latif has thus drawn pointed attention to a question of very high significance to the economic life of the people of India and the enquiry has to be pursued into further relevant details to enable a definite conclusion to be formulated on this controversial issue which has been debated at length in our legislative bodies. The points for consideration will be: Is there any real surplus of food production as is alleged? What is its size? To what extent will prices be reduced if the export is restricted? What will be the effect of this on the earnings of landowners of different classes and on the general costs of production and the average national cost of living? Will the loss, if any, not be counterbalanced by gain in the cheapening of commodities in general and an increase in the margin of profits? Unless the enquiry is prosecuted along these lines no definite conclusion of real value is likely to be reached. Mr. Latif has rendered a service by opening this problem for discussion.

V. G. KALE.

Wealth and Taxable Capacity of India. By K. T. SHAH and K. J. KHAMBATA. D. B. Taraporevala Son and Co., Bombay, and P. S. King and Son Ltd., London, 1922.

In this publication the joint authors discuss the problem of the wealth of India. Mr. Khambata is mainly responsible for the collection of facts and Prof. Shah expresses opinions thereon. Mr. Khambata's work is therefore not so much controversial as that of Prof. Shah, although even as regards that opinions cannot be unanimous; different estimates will give different results.

According to Mr. Khambata's estimate the per capita per annum income of India is Rs. 74. The figure refers to the year 1921-22. "Is that the wealth of India or its poverty" asks the author. The picture revealed is very gloomy indeed; what can a country achieve with an average income of Rs. 5 or Rs. 6 a month? But the density of the gloom is pierced by a bright gleam. We have not been going backwards or even remaining stationary but have marched forward however slowly it might be, for

during the last 15 years our per capita income has increased by about Rs. 2. Still the figure is too low.

This estimate, it should be noted, is in terms of material commodities only. The authors have agreed to exclude services from consideration—partly because, say they, services are incapable of precise evaluation in terms of money, partly because they are included in prices assigned to them, and, partly because most of them are “worthless,” “injurious,” “parasitic,” that is, economically unproductive. If the authors had taken their stand on the first two grounds, something might have been said in justification of their attitude; but to say that the merchant and other people of his kidney are unproductive is going rather too far. In the economic world—a socialistic organization of society—which is the ideal of Prof. Shah—it may be possible to do without them, but under the existing system they are as important as those who produce tangible utilities and should be regarded as productive.

The figure—Rs. 74—represents gross per capita income. To arrive at the net income some deductions have to be made from it. Prof. Shah does this. He analyses the deductions to be made under two heads, political and economic. The political deductions are the Home charges and the economic ones are interest on overseas capital payments on account of freight, payments on account of banking commissions, profits of foreign business and professional men, etc. The amount of these comes to about Rs. 7 per head according to our author's calculation. This reduces the per capita income by a corresponding amount to Rs. 67. The whole discussion on the question of deductions is vitiated by the fact that only the creating of form utility is regarded as productive and the rest as unproductive in obtaining the original figure Rs. 74.

Prof. Shah also goes into the question of the human needs of labour in India. Considering the net supply of food grains in India available for consumption and the requirements of our people, he arrives at the conclusion that the former falls short of the latter by about 40%. This means that “The Indian people are underfed. Either one in every three individuals must go hungry; or,—what is much more easy, insidious, and injurious—every one must cut one out of every three meals necessary to him.” The consequences of this will be plain to every one. As giving us a workable idea of the situation the conclusion is of service; beyond that it is not of much use. Prof. Shah takes account of food grains only. But there are several other things which people take and which give the required amount of nutrition. Eggs, meat, curd, fruits, etc., might be cited as examples. Again the author forgets that as we reach the upper strata of society the proportion of cereals consumed becomes less. Their place is

taken by fruits, milk, eggs, and so on, which means that the supply for people in lower grades becomes more. We believe that the best way to find out whether the people are underfed or not is by collecting family budgets.

However, the poverty of India is admitted on all hands. We believe it is appalling. How should it be removed? This is the problem which Prof. Shah attempts to solve next. His suggestions relate to both the production and distribution of wealth in India. As to its production he would first have a redistribution of the population between agriculture and other occupations so as to reduce the pressure on the soil from about 75% to about 50%. Then he would have our resources, agricultural and non-agricultural, developed to the full extent to which they can be developed. He shows how this can be done. We believe most of us agree with him here.

As regards the distribution of the national dividend among the Indian people, he proposes "a reduction with a view to their ultimate abolition of all those deduction which are avoidable, and the wealth drained away on account of which would then remain in the country to augment the income or resources of its own inhabitants." Every one would wish that. Then, he would have a revision of the tax-system so as to bring about an equitable distribution of its burden between the different classes of the people. According to him "the numerically much larger, but economically much poorer sections of the community bears about 40% higher burdens than the numerically smaller but economically much stronger community." This is a statement which in the absence of reliable statistics cannot be taken without a grain of salt. But wherever injustices exist, as we admit they exist at some places, in our tax-system, they should certainly be done away with.

These two are but minor points in the scheme of Prof. Shah. The real thing is the different reorganization of economic society which he would see brought about. The capitalistic system he abhors: a co-operative organisation he does not like because it will not "avoid the evils of the wage system, the crime of exploitation of one human being for the profit or benefit of another." The third thing left is socialism or communalism. This he hankers after and would, if possible, have it at once. Opinions cannot agree on this, nor do we think India is prepared for it or can derive any advantage from it. Before the country can be subjected to what (we know not) it will bring about, it should be put to a real test in those countries which economically and politically can afford to give it a trial.

But even socialism, of whatever type, cannot be the final solution of the problem. Given favourable conditions population would increase;

with it the pressure on the means of subsistence. Unless, therefore, population can be kept within reasonable limits of the means of subsistence, no scheme can hope to succeed. How should this be done? Prof. Shah suggests some possible ways in which it might be done. It will certainly have to be done somehow. However done, its results cannot be immediate, they will be effective, in the future. For the present, Prof. Shah would favour emigration on a large scale to lands less populated than India. He is a believer in the theory "The world is for every one." But every one is not. If every nation thought as he does the present problem might be solved provided the people were willing to migrate to places where they would have a better living. The whole question bristles with difficulties and no immediate solution is possible.

We have nothing but admiration for the zeal and assiduity with which Mr. Khambata has collected the statistics of production in India, given them a money value and arrived at an estimate of the wealth of our country. His contribution is very useful. As to Prof. Shah's work, most of his opinions will not be shared by many; they, at any rate, are not shared by us. But no one can gainsay the fact that they are the opinions of a learned Professor who is moved by patriotic motives, by the desire to see his countrymen better fed, better clothed, and better housed; and, they deserve as much consideration as any others.

G. D. KARWAL.

REVIEWS OF BOOKS

ENGLISH & FOREIGN

The Conflict Between Private Monopoly and Good Citizenship. By JOHN GRAHAM BROOKS. Houghton Mifflin Company, Boston & New York.

The Morals of Economic Internationalism. By J. A. HOBSON, Houghton Mifflin Company, Boston & New York, 1920.

Barbara Weinstock has rendered valuable service to humanity by making a splendid provision for the study of the ethical side of modern business at the University of California. Every year an eminent scholar or a man of public affairs is invited to lecture on "The Morals of Trade" and the annual lectures are afterwards published in neat, handy volumes like the ones under review.

The Weinstock Foundation is a very useful reminder to the economist and the businessman—and one which is peculiarly valuable in India. We have somehow come to believe that ethics and economics, morality and business have nothing to do with each other. The average man ordinarily makes no distinction between business and deception, and it is understood that a businessman can have no conscience, no scruples and no regard for altruism. The object of the Weinstock Foundation is to prove exactly the reverse. It is to demonstrate the truth of the homely adage that "Honesty is the best policy" in the long run even in matters of trade and business. Or to put it in the words of Hobson, it is to maintain "the utilitarian ethics. . . . that morality, the performance of human obligations, is the best policy which in the long run will yield the fullest satisfaction to social beings."

In his lecture on "The Conflict between Private Monopoly and Good Citizenship" Mr. Brooks has tried to tackle the biggest social problem of the United States of America.

"The privileged monopoly is found not only in lighting and transportation combinations in cities like New York, Philadelphia, St. Louis, and Chicago: it is in the whole nest of industries—oil, mining, and timber. . . . There is nothing that we need to know so thoroughly as that the railroad is the one key to the control of all monopolies, including those that often last just long enough to get the properties according to get-rich-quick-principles. The waste of the public wealth under this concentrated stimulus is the darkest economic fact, as the ugliest political fact is the corruption of officials and legislators."

'Yet it is not, ofcourse, the monopoly that is the evil. It is solely the way in which we have allowed the monopolies to be owned and controlled'.

The solution is offered by Mr. Brooks in these words :—

"For any future worth discussing, we are going to use our strength to regulate these monopolies in the public interest. In that decade when the people are at last convinced that these monopolies are more powerful than Government; that we have no hope of curbing them into obedience before the law, in that decade the cry will go up for government ownership on a scale far wider than that of railways and telegraph".

Mr. Brooks is a great believer in State regulation and control. And he is very careful to point out that the State ownership that he proposes in case of those monopolies where public control has failed is not socialism. His dread of socialism though veiled is none-the-less apparent. His great model is New Zealand—the great pioneer in social legislation among Anglo-Saxon countries.

In judging the value of Mr. Brooks' lecture it must be remembered that the lecture was delivered in 1909. Public control has had a considerable trial since then and has lost much of its harm. It would be interesting to know as to what Mr. Brooks himself thinks of his solution to-day!

The lecture of Mr. Hobson is of a different character and its value is not to be measured by its small bulk. It is a stimulating address on a big and living topic; and it raises a large number of very important issues. The views of Mr. Hobson are too well-known to need repetition; but all the same they deserve serious consideration at the hands of all well-wishers of humanity.

In his lecture on "The Morals of Economic Internationalism" Mr. Hobson has put the World Problem in a frank and forceful language. He says :—

"A very few great empires and nations to-day control the whole available supplies of many of the foods, fabrics, and metals, the shipping and finance, that are essential to the livelihood and progress of every civilized people. Are Britain, America, France, and Japan—and especially the two greatest of these powers—going to absorb or monopolize for their exclusive purposes of trade or consumption these supplies which every country needs, or are they going to let the rest of the world have fair access to them?"

"The fatality of the great choice is thus evident. Nations must and will fight for the means of life. Close economic nationalism or imperialism on the part of the great empires must, therefore, compel the restricted countries

to organise force for their economic liberation. This in turn will compel the great empires to maintain strong military and naval defences. It is impossible for the other nations of the earth to leave the essential supplies of metal, foods, and oils, and the control of transport in the exclusive possession of a few close national corporations or a permanent "Big Four". Under such conditions the sacrifices of the great war would have been made in vain."

"It is predominantly upon America and Britain that this great moral economic choice rests, the choice on which the safety and the progress of humanity depend". And he addresses a reasoned appeal to these great nations:—"The refusal of America not only shuts the gate of hope for millions of war-broken, famine-ridden people in Central and Eastern Europe, it removes the keystone for the edifice of a society of nations. For effective international co-operation in economic resources and opportunities is the indispensable condition of such a society. No league of Nations can survive its infancy without this economic nourishment. The world's wealth for the world's wants: unless this maxim can in some effective way be realised, no such escape has been made from the pre war policy of greed and grab as will furnish a reasonable hope for a world redeemed from war—a world clothed and in its right mind."

It is no doubt absolutely true that unless the world's wealth is used for the world's common needs—unless the stronger and more developed nations cease to exploit the weaker ones, unless the undeveloped nations are allowed and helped to develop their resources and man power, the abolition of war and the establishment of permanent peace must remain a dream.

But is such a consummation possible? Believers in human progress have no option but to accept its feasibility and to go on striving for its accomplishment.

GURMUKH N. SINGH.

Commercialism and Journalism. By HAMILTON HOET, Boston and New York, Houghton Mifflin Company, The Riverside Press, Cambridge, Massachusetts, U. S. A.

This little book is a reprint of one of the Barbara Weinstock Lectures on the Morals of Trade, first delivered at the University of California. These lectures were to be given by "representative scholars and men of affairs dealing with the various phases of the moral law in its bearing on business life under the new economic order." The book well serves the object of these lectures. The relation between Commercialism and

Journalism is certainly one of the most important 'phases of the moral law in its bearing on business life'.

At the very outset Mr. Hoet asks the crucial question, "Is journalism a profession or a business?" He says some would poetically answer.

"Here shall the Press the people's right maintain,
Unawed by influence and unbribed by gain".

While others would be found confessing, with the New York journalist, that an expression of honest opinions in their papers would see, before 24 hours, their occupation, like Othello's, gone, and that journalists are "Intellectual Prostitutes". Hamilton Hoet, then, relates candidly his own view of the real conditions under which editors do their work. He gives very interesting figures about the Printing Industry to show how advertising has been daily growing as a power. He says the total number of publications in the U. S. A. is, 21,394. And the aggregate number of copies issued per year, 10,325,143,188. These periodicals received 47 per cent. of their receipts from advertising and 36 per cent. from sales and subscriptions. Monthlies are increasing the fastest, next the weeklies, and last the dailies. One-third of all these papers are devoted to trade and special interests. (These figures relate to 1909 when this lecture was delivered). He further quotes authoritative figures to show that advertisements were becoming the most important factor in publishing. Without advertisements, the monthlies would have to double their price and the weeklies and dailies to multiply theirs from four to ten times. Advertising, thus, greatly cheapens the price of the papers. It is growing day by day. In 1880 the per capita expenditure on advertising was 78 cents. In 1905 it rose to \$1.79 while the per capita value of subscriptions has been almost constant. A proper understanding of the significance of these figures and the trend showed by them, will naturally leave one with the feeling that the editorial department has become merely a necessary means of giving a literary tone to the publication, and helping businessmen to sail under false colours. The tremendous power of advertising is on the increase. And it is solely due to this powerful alliance of advertising with public opinion that the press has far outstripped its old rivals, the pulpit and platform. Even Universities have begun to advertise themselves in devious ways. One of the most extraordinary cases was when the authorities of a University bought editorials in the country press at advertising rates for the sole purpose of influencing the state legislature to make them a larger grant-in-aid. Charitable organisations and churches too have now begun to advertise. Persistent advertising carries with it a tremendous power of imbuing the minds of people with almost any kind of idea. The Americans "have not enough

gumption to buy even the staple products they need except through the stimulus of hypnotic suggestion—which is another name for advertising." This enormous growth of advertising has changed journalism from a profession to a commercial enterprise. Newspapers allow themselves to be employed as promoters of financial ventures, enemies of labour unions, and of other private and class interests. They do more harm than good to the cause they are intended to promote. But, fortunately, American journals are not subsidized by the Government itself as is often the case with the semi-official organs of Europe. So the danger of manufactured public opinion does not come from the Government. But American journalism has fallen from the frying pan of politics into the fire of Commercialism. The real danger of advertising does not come from misrepresentation so much as from the fact that the terms on which advertisements are solicited tend to commercialise the whole tone of the paper.

From the seamy side of things, Hamilton Hoet turns to the bright. He shows how the best journals refused liquor-advertisements and how some of them waged a vigorous fight against the patent medicine concerns. George Jones of the New York "Times" put up a historic fight against the Tweed Ring, and refused their offer of five million dollars while his paper was hardly worth a million. He, further, lays down the wholesome rule that under no circumstances should an editor tell what he knows to be false, or urge measures he believes to be harmful. He pays tribute to the celerity with which news is gathered, written, transmitted, edited, published and served on millions of breakfast tables. He, then, names some leading journalists who came forward with their touch upon the pulse of the nation when the daily had failed as a leader of enlightened public opinion. Hamilton Hoet, then, suggests four ways of doing away with Commercialism:—

- (1) Devotion to getting so extensive a circulation as to be able to ignore the clamour of the advertisers.
- (2) The papers may become endowed.
- (3) Personal integrity of character.
- (4) They may combine in a sort of Trust.

He ends by saying, "The world is on the threshold of a new era. . . . Fortunate that editor whose privilege it is to share in pointing out the way."

There is a great lesson in the book for Indian journalism. It is yet free from Commercialism. It should scrupulously stick to the double duty enunciated for it the other day at the death of Mr. Kastu Ji Ranga Iyenger, late editor of the Hindu (Madras) by two of our foremost leaders,

Mahatma Gandhi and Rt. Hon. S. Shastri.....the twofold duty of faithfully reflecting the public mind and of giving it the right lead.

R. K. KUMAR

"The Modern Executive". Compiled By BLOOMFIELD, Published By H. W. WILSON Coy., New York, Pp 26. Price Rs. 2'25.

The Modern Executive is one of a series of practical hand-books for executives and others interested in management and industrial relations

The book offers a keen insight into the subject of scientific management, the place of the executive, his duties, his qualifications, and his training. It is a compilation of articles, essays, and addresses from executives who have been schooled in the "University of hard knocks", and deals with their systematic observations, experiments, reasonings, the principles deduced by them, the conclusions arrived at, and the standards set by them.

These articles have been arranged under the headings; leadership and the modern executive; the place of the executive in management; what is executive ability, developing executive ability; the foreman as an executive; the work of the executive. The selection of these headings truly and rightly indicates the nature and the scope of the subject-matter, but as the book is a collection of essays from different people who have dealt with the same various aspects of the questions, a good deal of overlapping is noticeable.

The subjects covered by the volume may be briefly stated. Management of plants and factories has three issues—organisation, system, and administration. In order to produce effective management there should be effective co-operation. This is the root of the problem. It consists of division of the work into particular defined tasks and the assignment of these tasks to individuals qualified by training and natural characteristics for their efficient accomplishment. Naturally this task constitutes the chief duty of the chief Executive. He has to see to the co-ordination of different departments; the inter relationship of production, sales, and accounts; prepare an organisation chart and an office manual. He is responsible for the policies, continuous planning, continuous production, economy of operation, quality of production, elimination of waste, and to get the maximum economic results from each individual by introducing methods of proper supervision and the satisfaction of the employees

The whole authority should not be centralised. Centralisation of authority and system discourage development of the capacity for decision, limit the knowledge to special tasks and destroy the capacity for wise leadership. Besides the chief Executive there are other key-positions held by the managers of departments and foremen. They are either recruited from

graduates of technical colleges and institutes or they are men who have risen from the lowest ladder by dint of their qualities. The technical graduates do obtain proficiency in the technique of industries but they are crippled for handling human relations. The foremen have to efficiently solve the labour problem as they have to come in contact with the wage earners. They must get a deep insight into human nature. Maximum production can be obtained by getting the voluntary co-operations of the employees based upon humane relationship. "Hard words, black look or heartless neglect" will not do. "The greatest source of all wealth in manufacturing is the ability to secure the goodwill of the people in their work" and this beautiful passage offers a solution of the labour problem.

The Executive should have natural ability to absorb acquaintance with the adjacent jobs besides persistent proficiency in the technique of his own department. He should have enthusiasm, self-confidence, respect for superiors, human relations with juniors; criticism of juniors' works should be sympathetic; should develop correct judgment based upon facts of details; should be discrete; unselfish, moderate, cheerful, self controlled, should show appreciation of initiative, healthy, sincere, good common sense, tactfulness and firmness.

The need of the study of Economics by executives is very great. They should study applied economics to cover such subjects as relation of production to cost, the value of standardisation, functional organisation, mass production which results in cheapest costs, and fundamentals of the question of work, wages, and profits.

The book should be very useful to factory owners, executives in business, as well as civil and Railway administration educationalists, and all who are confronted with the question of organisation, management, training of executives, and solution of labour problems.

R. K. KUMAR.

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